

repeat, however, I stated that I did not think they would be of great benefit to Michigan.

Mr. GRONNA. Mr. President, will the Senator yield?

Mr. TOWNSEND. I yield.

Mr. GRONNA. The Senator knows now that he was mistaken about that, I think. I have a statement in my office which shows that the State of Michigan has taken advantage of that law almost to as great an extent as any other State.

Mr. TOWNSEND. That is one reason why I would not object to the establishment of the banks, as I never have done. I do not want that anything be done now that will be at all detrimental to the banks; I am simply asking for justice in the treatment of these banks, as in the case of other banks of the country.

Mr. WARREN. Mr. President, it is after 5 o'clock; we have had a rather trying day—

Mr. EDGE. Mr. President, if the Senator will allow me just a moment, I have a request to make.

Mr. WARREN. If the Senator desires to offer an amendment, he can hardly do that, inasmuch as an amendment is already pending.

Mr. EDGE. I was going to explain, if the Senator will give me just a moment before he makes a motion to adjourn, that engagements make it impossible for me to be here to-morrow, and I simply want to secure, if possible, unanimous consent to offer an amendment, not with the idea of discussing it now, inasmuch as another question is pending, but in order to have the amendment properly before the Senate when we reach a position where it may be considered. At that time, in my absence, some other Senator will unquestionably present it. I simply desire unanimous consent that it may be properly offered to the bill.

Mr. WARREN. The Senator has a right to offer it, of course, and to have it lie on the table.

Mr. EDGE. I offer the amendment. It is my understanding, however, from the brief conversation I have had with the Senator from Wyoming, that it will not develop any discussion, and for that reason I had hoped that it would be adopted to-day.

The PRESIDENT pro tempore. As the Chair understands, the proposed amendment has been printed and is now on the table.

Mr. EDGE. I understand that; but it is my understanding that it has to be offered again after the committee amendments have been disposed of.

The PRESIDENT pro tempore. There is a motion pending. The Senator from New Jersey must therefore defer his amendment until that motion is disposed of.

Mr. EDGE. I will be very glad to do so; but I understood that the Senator from Wyoming was about to make a motion to adjourn, and for that reason I wanted to have the amendment before the Senate.

Mr. WARREN. Mr. President, I take it for granted that the matter now before the Senate must first be disposed of unless adjournment should put it over, in which event it would be taken up to-morrow exactly as we leave it to-night. I do not understand that the Chair could entertain another amendment while a motion is pending and unacted upon.

The PRESIDENT pro tempore. The Senator from Wyoming is quite right. A motion to adjourn is in order, if the Senator desires to make it.

Mr. WARREN. I move that the Senate adjourn.

The motion was agreed to; and (at 5 o'clock and 18 minutes p. m.) the Senate adjourned until to-morrow, Thursday, April 1, 1920, at 12 o'clock meridian.

## HOUSE OF REPRESENTATIVES.

WEDNESDAY, March 31, 1920.

The House met at 12 o'clock noon.

The Chaplain, Rev. Henry N. Couden, D. D., offered the following prayer:

O Lord our God and our Father, with whom nothing is impossible, without whom we are nothing, strengthen us by the power of Thy might for the duties of the hour. Guide us by the light of Thy wisdom to do Thy will here now and always. In the spirit of the Lord Jesus Christ. Amen.

The Journal of the proceedings of yesterday was read and approved.

### EXTENSION OF REMARKS.

Mr. GRIFFIN. Mr. Speaker—

The SPEAKER. Does the gentleman rise to make a correction of the RECORD?

Mr. GRIFFIN. No; I desire to make a unanimous-consent request.

The SPEAKER. The gentleman will state it.

Mr. GRIFFIN. I ask leave to extend my remarks in the RECORD on the bill H. R. 13333, introduced by me on the bonus question.

The SPEAKER. The gentleman from New York asks unanimous consent to extend his remarks on the bonus question. Is there objection?

Mr. WALSH. Reserving the right to object, are they the gentleman's own remarks?

Mr. GRIFFIN. My own remarks.

The SPEAKER. Is there objection? [After a pause.] The Chair hears none.

Mr. EVANS of Nevada. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by inserting an able and instructive article upon land monopoly and its evils as discussed by Miss Anne Martin, a woman candidate for United States Senator, printed in Reconstruction.

The SPEAKER. The gentleman from Nevada asks unanimous consent to extend his remarks in the manner indicated. Is there objection?

Mr. SNELL. Mr. Speaker, I object.

Mr. SNYDER. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD by inserting a short speech by myself on the McFadden rural credit bill, H. R. 12678.

Mr. CLARK of Missouri. What is the speech about?

Mr. SNYDER. It is in relation to the McFadden rural credit bill and has to do with a new scheme for financing the products of farms.

Mr. CLARK of Missouri. Where was this speech made?

Mr. SNYDER. It has not been made; I have it here, and I am asking permission to insert it in the RECORD without delivering it.

The SPEAKER. The gentleman asks unanimous consent to extend his remarks in the RECORD on the rural credit bill. Is there objection? [After a pause.] The Chair hears none.

### AGRICULTURAL APPROPRIATION BILL.

Mr. HAUGEN. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 12272) making appropriations for the Department of Agriculture, to disagree to all Senate amendments, and agree to the conference asked.

The SPEAKER. The gentleman from Iowa asks unanimous consent to take from the Speaker's table the Agricultural appropriation bill, to disagree to all Senate amendments, and agree to the conference asked by the Senate.

Mr. CLARK of Missouri. Mr. Speaker, reserving the right to object, I wish to inquire of the gentleman how it happens they have only three conferees? The practice has been about that bill for years to have five. I think at one time it was seven.

Mr. WALSH. That is discretionary.

Mr. HAUGEN. The Senate determined on that number—

Mr. CLARK of Missouri. But the Senate has got nothing to do with the House.

Mr. HAUGEN. My recollection is that we have had three from each House—the practice has been to have the same number from each House.

Mr. CLARK of Missouri. The practice in the House has been for five, and at one time, for some reason which I have forgotten, there were seven appointed.

Mr. HAUGEN. Not on an Agricultural appropriation bill. I think that was on another matter.

Mr. WALSH. Will the gentleman from Iowa yield?

Mr. HAUGEN. Certainly.

Mr. WALSH. Of course, the distinguished gentleman from Missouri appreciates the fact that the House can not limit the discretion of the Chair in appointing conferees.

Mr. CLARK of Missouri. I know, but still I have the right to get some information if I could.

Mr. WALSH. Certainly; we have not appointed the conferees.

Mr. CLARK of Missouri. I know. I had a talk with the gentleman from Iowa here day before yesterday and he said there would be three appointed.

Mr. HAUGEN. No; I said the Senate had appointed three; that I did not know what the number would be appointed from the House, but I understood the practice is to appoint the same number from each House.

Mr. CLARK of Missouri. Does the gentleman think that because the Senate had appointed three we ought to appoint three?

Mr. HAUGEN. What does the gentleman think about it himself?

Mr. CLARK of Missouri. I think there ought to be five.

Mr. HAUGEN. Does the gentleman think one House ought to have five and the other side three? It is immaterial to me, of course.

Mr. CLARK of Missouri. I do not care what the other House does.



The SPEAKER. Is there objection?

Mr. RUBEY. Mr. Speaker, reserving the right to object—and I shall not object—I desire to ask the gentleman from Iowa in regard to two or three of these increases.

Mr. HAUGEN. Very well.

Mr. RUBEY. The Senate has increased the appropriations about \$2,370,000.

Mr. HAUGEN. No; the Senate has increased it \$2,470,407, but the gentleman is also aware that it cut a number of appropriations, as, for instance, the seed item of \$239,416 and others, which will bring the increases up close to \$3,000,000.

Mr. RUBEY. The net increase is something like \$2,370,000.

Mr. HAUGEN. Two million four hundred and seventy thousand four hundred and seven dollars.

Mr. RUBEY. Well, that being quite a large amount, we must remember that this is an Agricultural appropriation bill, which is an investment rather than an expenditure. I want to call attention to two or three increases made by the Senate. On page 105 we have an appropriation for the eradication of the corn borer; the Senate makes provision for \$500,000, \$250,000 of which shall be made immediately available. That is exactly what I asked for in the House when we were considering the bill in the Committee of the Whole. It went out, of course, on a point of order because of the \$250,000 made immediately available. Now, the committee agreed to my amendment for \$400,000 for that purpose, but it went out in the House on a vote, a very close vote at that, and I hope that the conferees will see their way clear to agree to this appropriation of \$500,000.

Mr. HAUGEN. My recollection is that the Committee of the Whole made it \$300,000, and it went out in the House. Now, my position is that we should either appropriate an adequate amount or not appropriate anything. So far as the \$250,000 is concerned, it does not go far enough. That is my individual view, but the conferees must necessarily represent the House.

Mr. RUBEY. When the gentleman says the committee made it \$300,000—

Mr. HAUGEN. That is my recollection.

Mr. RUBEY. The gentleman's recollection is not correct if he refers to the Agricultural Committee. The Committee of the Whole—

Mr. HAUGEN. I mean the Committee of the Whole.

Mr. RUBEY. The Committee of the Whole, at my suggestion, adopted my amendment of \$400,000. On a very close vote, with just a few votes difference, it went out, and it shows plainly that the House would have agreed to this amendment except for the fact of their desire to economize, and for the further reason that many of the Members were given to understand that the probabilities were that the Senate would take care of the situation. The Senate has taken care of it and has made this appropriation, and I sincerely hope that the conferees will agree to this appropriation, because I think it is very important. The spread of the corn borer will have a very disastrous effect upon the corn production of the country.

Mr. HAUGEN. The gentleman will recall that the matter was then pending before another committee, and for that reason the Committee on Agriculture did not give consideration or did not report on the proposition. It came up in the Committee of the Whole. Three hundred thousand dollars was agreed to. I opposed the amendment on the ground that if we appropriate any money whatever we should appropriate an adequate amount. I do not know what showing was made before the Senate. However, that is a matter that will have to be given consideration by the conferees.

Mr. RUBEY. Now, Mr. Speaker, if the gentleman will yield further, I would like to call his attention to the amendment on page 49. This is the amendment in regard to the grazing provision. The Committee on Agriculture, as the gentleman will remember, brought in in its bill a provision for appraising the grazing lands of the West, and it went out on a point of order. The amendment was finally worded differently and agreed to, and is found on page 49. This authorizes the Secretary of Agriculture to appraise the grazing lands in the forest reserve and make the appraisal the basis of the rates charged. That amendment will bring into the Treasury something like \$2,000,000 additional annually. Now, then, what I want to say is this, that the House agreed to that amendment; the Senate knocks it out. I want the gentleman to agree that before he will accede to the wishes of the Senate in regard to this matter he will give the House an opportunity to vote on it.

Mr. HAUGEN. The amendment referred to is a House provision, and it goes without saying that the House conferees will insist upon the House provisions staying in. Whether it can come back to the House or not I do not know. There are 282 amendments. All of them will have to be given consideration.

Mr. RUBEY. This is an important amendment. It means that it practically makes the Forest Service self-supporting if

this amendment is agreed to, and I sincerely hope that the gentleman will insist on House provision and come back to the House before he agrees to accede to the Senate in this regard.

Mr. HAUGEN. The House may determine whether it shall come back to the House before an agreement is reached. As the gentleman knows, I am in accord with his views on this grazing proposition.

Mr. LAZARO. Will the gentleman from Iowa yield?

Mr. HAUGEN. Certainly.

Mr. LAZARO. The Senate has adopted an amendment known as the Comer amendment, which deals with grades in cotton. I am not prepared to say whether it is a good or a bad amendment, but I do believe it is of sufficient importance to deserve careful consideration. Will the gentleman tell the House something about this amendment and whether or not the House will have a chance to consider it?

Mr. HAUGEN. A part of it is new matter. A part of it was reported by the House Committee on Agriculture. The last paragraph to the amendment is new matter, and a very important matter, and one that should receive very careful consideration before it is agreed to. I am not sure whether it should be adopted or not. I think that is a matter that should be largely determined by the parties interested. My opinion would be that Representatives from the cotton sections of the country should give us the benefit of their judgment and suggestions on the amendment.

Mr. LAZARO. The gentleman will admit that the people of this country and of the world are very much interested in the production of cotton, because it means whether or not the people shall have sufficient clothing.

Mr. HAUGEN. Certainly; but, after all, the Representatives coming from the cotton-producing States are more interested than others.

Mr. LAZARO. All I want to know is whether the gentleman will give the House a chance to consider it?

Mr. HAUGEN. If that is the wish of the House; if not, I should want to confer with other Members to ascertain what their desires are in the matter.

Mr. HUMPHREYS. Will the gentleman yield?

Mr. HAUGEN. Certainly.

Mr. HUMPHREYS. I agree with the gentleman that it is a very important matter. It was not considered in the Senate. The Record shows it had no consideration there. It has not had any consideration here. It is my opinion that the amendment ought not to be agreed to; but that is just the opinion of one man from a cotton State, and I hope, if I may express the hope, that the conferees will not agree to the Comer amendment.

Of course, the first paragraph, making the present law permanent, is all right, but I mean the latter part, known as the Comer amendment. It ought not to be agreed to unless it is thoroughly considered by one House or the other, and it is perfectly clear that it was not considered by the Senate, and the House has had no chance to consider it. I take it, and I express the hope, that the conferees will not agree to it.

Mr. HAUGEN. It is new legislation. It was subject to a point of order in the House and probably in the Senate. I believe it is generally agreed that no new legislation should be incorporated in the bill unless it clearly expresses the sentiment of the House.

Mr. GARD. Mr. Speaker, I demand the regular order.

The SPEAKER. The gentleman from Ohio demands the regular order. Is there objection to the request of the gentleman from Iowa [Mr. HAUGEN]?

Mr. HAUGEN. Will the gentleman withhold it for a moment?

Mr. GARD. I will withhold it.

Mr. YOUNG of Texas. I call the gentleman's attention to the cotton-futures amendment put in by the Senate.

Mr. HAUGEN. That matter went out on a point of order in the House.

Mr. YOUNG of Texas. This cotton-futures act, with this amendment, the first part, four or five lines, has been in operation not quite one year. The trade has been perfectly satisfied with it. Apparently we have at this time as good a regulation of these exchanges as we can expect to have, and it having been in operation only about a year, and giving satisfaction so far, it seems to me it would be very unwise to adopt the latter part, which is the Comer amendment, which is an untried affair and bound to affect not only the cotton producer but every dealer in cotton and every manufacturer of cotton goods. Coming from a cotton-producing State, I feel that this great industry should not be subjected to an experiment that has had no consideration from the other body and which has had none here, but we ought to allow the law that has existed to continue to operate, because otherwise nobody would know what would happen if we adopted this far-reaching policy known as the Comer amendment.



The SPEAKER. Is there objection?

Mr. MONDELL. Reserving the right to object, Mr. Speaker, the Senate has increased this bill something over two and a quarter million dollars.

Mr. HAUGEN. Two millions and a half.

Mr. MONDELL. Nearer two and one-half million, the gentleman from Iowa says. From a rather hurried examination of the bill, it would appear that about every amendment in the way of an increase and in the way of new legislation that anyone had in his mind, or had a disposition to offer, or did offer in the Senate was accepted. I have such confidence in the conferees on the part of the House that I shall not catechize them or ask them to give an expression of opinion in regard to these amendments and increases, but I do feel confident that these gentlemen realize the temper of the House in these matters. Ordinarily it is not wise to accept in the form of an amendment legislation on an appropriation bill, wise on otherwise; and the House, after careful consideration of this bill, brought it in with appropriations that a great majority here believed were quite sufficient for the work of the Agricultural Department.

The gentleman from Missouri [Mr. RUBEY] has referred to this expenditure as "an investment." Well, a large part of it is an investment in the services of gentlemen whose services are more or less questionable from the standpoint of any real substantial public service, and that is a kind of investment that at this time ought not to be popular. I am sure that the conferees will have that in mind, and will have in mind the temper of the House, desirous of holding these appropriations within reasonable limits, and not increase them simply because here and there some one may desire to have us embark upon some new and questionable and experimental enterprise. [Applause.]

The SPEAKER. Is there objection to the request of the gentleman from Iowa [Mr. HAUGEN]?

There was no objection; and the Speaker announced as the conferees on the part of the House Mr. HAUGEN, Mr. McLAUGHLIN of Michigan, and Mr. LEE of Georgia.

CALENDAR WEDNESDAY.

The SPEAKER. To-day is Calendar Wednesday. The Clerk will call the roll of committees.

The Committee on Banking and Currency was called.

#### AMENDMENT TO THE FEDERAL RESERVE ACT.

Mr. PLATT. Mr. Speaker, I call up House bill 12711.

The SPEAKER. The gentleman from New York [Mr. PLATT], from the Committee on Banking and Currency, calls up House bill 12711. This bill is on the Union Calendar; and the House automatically resolves itself into Committee of the Whole House on the state of the Union, and the gentleman from New York [Mr. SANFORD] will please take the chair.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 12711) to amend the act approved December 23, 1913, known as the Federal reserve act, with Mr. SANFORD in the chair.

The CHAIRMAN. The House is in Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 12711, which the Clerk will report.

The Clerk read as follows:

*Be it enacted, etc.,* That section 14 of the Federal reserve act, as amended by the acts approved September 7, 1916, and June 21, 1917, be further amended by striking out the semicolon after the word "business" at the end of subparagraph (d) and insert in lieu thereof the following: "and which, subject to the approval, review, and determination of the Federal Reserve Board, may be graduated or progressed on the basis of the amount of the rediscount and discount accommodations extended by the Federal reserve bank to the borrowing bank."

Mr. PLATT. Mr. Chairman and gentlemen, this is a bill to provide a means of checking inflation—the inflation or expansion which has come about through the too great use of the rediscounting privileges of the Federal reserve system. The bill is very short. It adds only five lines to section 14 of the Federal reserve act, the section which defines the powers of the Federal reserve banks. One of those powers is "to establish from time to time, subject to review and determination of the Federal Reserve Board, rates of discount to be charged by the Federal reserve bank for each class of paper, which shall be fixed with a view to accommodating commerce and business." It seems to me it was unnecessary to put such a provision in the law, for the Federal reserve banks would naturally have had such power anyway, as all banks possess it, whether expressly granted or not; but being in the law, it seems to be limiting and to deprive the Federal reserve banks of a power which commercial banks possess at least to a certain degree, namely, of asking a higher discount rate from borrowers whose demands are greater than a normal amount. Commercial banks are not allowed to loan an amount greater than 10 per cent of their capital and surplus to

any one borrower unless the loan is secured by shipping documents or warehouse receipts representing commodities in process of marketing, but within that limit and within the limits of the usury laws they have the right to charge one borrower a higher rate than another if they think the circumstances warrant it. This bill gives the Federal reserve banks this right, but through uniform rules applying to all member banks without discrimination or favor. It provides that the rates of discount "may be graduated or progressed on the basis of the amount of rediscount and discount accommodations extended by the Federal reserve bank to the borrowing bank."

The suggestion for this amendment came from the annual report of the Federal Reserve Board, which discusses the subject of expansion of credit at some length and states that it must be checked, but "with careful regard to the economic welfare of the country and the needs of its producing industries."

Some banks, generally in the big cities and frequently also where there is a good deal of speculation, have rediscounted far beyond the rediscounts of the average member banks.

In fact, if all banks of each district should ask the accommodations that a few have persistently demanded it would be impossible to meet the demand. The directors of each Federal reserve bank are by section 4 of the act required "to extend to each member bank such discounts, advances, and accommodations as may be safely and reasonably made with due regard for the claims of other member banks."

Now I yield to my colleague from Peekskill.

Mr. HUSTED. I would like to ask the gentleman if this amendment would empower the Federal Reserve Board to discriminate between different banks in the amount of accommodation by way of rediscount or discount that the Federal Reserve Board extended to the member bank?

Mr. PLATT. Only by rules and regulations applying equally and uniformly to all of them.

Mr. HUSTED. Does not the gentleman think that those regulations should be set out in the bill and not left to the discretion of the Federal Reserve Board?

Mr. PLATT. I do not think so, and for this reason: Before the Federal reserve act was passed no national bank could rediscount or become indebted to a greater amount than its capital—section 5202, Revised Statutes. When the Federal reserve act was before the House in 1913 the point was originally overlooked, but it was soon discovered that such a limit would destroy its purposes, because very often a bank having large deposits would have to rediscount beyond the amount of its capital and surplus, and so an amendment was offered on the floor which made an exception of obligations incurred under the provisions of the Federal reserve act. There were other exceptions as to the indebtedness of the bank. For instance, deposits were not regarded as indebtedness under the limitation.

Mr. HUSTED. However good that purpose may be, I do not think we should empower the Federal Reserve Board to discriminate in these matters between different member banks, because that is a power which could be grossly abused.

Mr. PLATT. I have not fully answered the gentleman's question yet. When we passed the Federal reserve act with that amendment in it there was no limit left on the amount to which a bank could rediscount. It could rediscount ten times its capital and surplus if the Federal Reserve Board would allow that to be done. Now, we propose to allow the Federal reserve banks in each district to fix a limit or line of discount, perhaps, in proportion to the capital and surplus, and allow member banks to borrow at the published rates up to that line; but if they go higher than that they shall pay a slight increase on the excess above that line.

Mr. WINGO. There was so much confusion in front of me and to the right of me and to the left of me and behind me that I could not hear the answer which the gentleman made. Do I understand that the gentleman from New York [Mr. HUSTED] asked if it was possible for the Federal Reserve Board to make a difference in the amount that two different banks might have in the way of rediscounts? Take, for illustration, two banks having the same capital stock and the same surplus. Is it the idea that the Federal Reserve Board might grant a rediscount limit of \$50,000 to one and \$100,000 to the other?

Mr. HUSTED. That is the idea, exactly.

Mr. PLATT. No; two banks having exactly the same deposits and the same capital and surplus—

Mr. WINGO. Let us assume, then, that two banks have the same deposits, the same capital stock, and the same surplus, but under different conditions in different parts of the country. What would be the gentleman's interpretation of the language in such a case as that?

Mr. PLATT. Necessarily the Federal reserve bank would have to treat them exactly alike if they had the same capital



and the same surplus and the same deposits and were in the same district; there would be no possible way by which they could be treated differently. The rule must apply equally and ratably to all banks in the same district having the same capital, surplus, and deposits. They would be treated exactly the same.

Mr. HUSTED. The bill does not say so.

Mr. PLATT. Unless one was situated in a reserve city and the other in the country, when the city bank would have a little larger reserve with the Federal reserve bank and possibly might be given a larger limit, if the line of credits should be based on reserve requirements.

Mr. MADDEN. Will the gentleman yield?

Mr. PLATT. I yield to the gentleman from Illinois.

Mr. MADDEN. My understanding of the Federal reserve act as it exists now is that the Federal Reserve Board has the power under the law to fix a discount rate, which must be uniform within the region.

Mr. PLATT. On each class of paper; yes.

Mr. MADDEN. That there is a uniform discount rate within a certain region; that is, they have one uniform rate on the Pacific coast.

Mr. PLATT. On each class of paper; yes.

Mr. MADDEN. But what they do is applicable to everybody within the region.

Mr. PLATT. Yes; exactly.

Mr. MADDEN. And it must be uniform?

Mr. PLATT. It must be uniform for each class of paper.

Mr. MADDEN. Now, as I understand it, this bill provides for so amending the law as to authorize the Federal Reserve Board to make a regulation—

Mr. PLATT. The Federal reserve banks of each district.

Mr. MADDEN. The Federal Reserve Board, through the Federal reserve bank, which is the same thing.

Mr. PLATT. The board is to supervise it.

Mr. MADDEN. By approval of the board, which is the same as giving the board the power to make the regulations. Now, this will give the Federal Reserve Board the power, through the Federal reserve bank, to say that any bank within a certain region shall be given a limit of credit for rediscount.

Mr. PLATT. That is the idea.

Mr. MADDEN. And that does not exist to-day.

Mr. PLATT. I do not know whether it does or not. Some lawyers think it does.

Mr. WINGO. If the gentleman from New York will permit—

Mr. PLATT. This makes it clear that it does.

Mr. MADDEN. Let me make my statement. I do not want to be interrupted. Then the gentleman can give his side of it.

Mr. WINGO. I am not giving any side of it. The gentleman from New York is stating what the law is and I want to suggest one provision he, I fear, has overlooked.

Mr. MADDEN. Then, under the regulations that this bill authorizes the Federal reserve banks to make, if a bank within the region wants to borrow more than the limit fixed for its credit, say, twice as much, or 25 per cent more, the Federal reserve bank can say that for that additional amount sought to be rediscounted they must pay an additional discount rate, and that puts it within the power of the Federal Reserve Board to play favorites.

Mr. PLATT. Oh, no.

Mr. MADDEN. Anywhere in the United States, and, in my judgment, there ought not to be any such power given.

Mr. PLATT. Absolutely not. They must make uniform rates applying to all banks equally and ratably.

Mr. MADDEN. Yes; but they can give the right to rediscount more than the limit, and this gives them the right to fix a limit.

Mr. PLATT. There is no limit assigned now.

Mr. MADDEN. But this gives them the right to make a limit.

Mr. PLATT. But they have the right now to shut off absolutely on a bank.

Mr. MADDEN. They would still have the right to refuse and play favorites.

Mr. PLATT. No; there is no chance to play favorites.

Mr. WINGO. If the gentleman will yield, in view of the statement about the law, will the gentleman permit me to read a few lines from the now existing law?

Mr. PLATT. Certainly.

Mr. WINGO (reading)—

To establish from time to time, subject to review and determination of the Federal Reserve Board, rates of discount to be charged by the Federal reserve bank for each class of paper, which shall be fixed with a view to accommodating commerce and business.

Mr. MADDEN. That is what I said, with a view to accommodating commerce and business, and the gentleman has not stated anything different.

Mr. WINGO. I think the gentleman did not intend to say what he did. He said it would give the Federal Reserve Board a right that they have not now. They have the right now—

Mr. MADDEN. The gentleman has not repeated what I said. I said they would now have, under this bill, a right by regulation that now exists under the law, and they would be the body to fix the law instead of Congress. That is what I said and what I say now.

Mr. WINGO. The gentleman is talking about one statement that he made and I am talking about the first one that he made. If the gentleman will permit, under the law now they can shut them off entirely. They can now fix, if they want to, a rate of discount uniform solely as to the class of paper. They can say to one bank we will take all of that paper that you want to rediscount and say to another bank they shall not have any at all.

Mr. SNYDER. Will the gentleman yield?

Mr. PLATT. Yes.

Mr. SNYDER. I would like to ask the gentleman from Arkansas under what conditions the Federal reserve banks can to-day refuse to discount all the paper that any commercial bank desires to send it or commercial paper or trade acceptances?

Mr. WINGO. The Federal Reserve Board? The Federal reserve banks are owned by the banks. They have directors, and the Government has supervisory control. The experience of the banks has been that the wishes of the Government and the selfish interests of the banks themselves have had a tendency to keep down speculation, as we have found in the past, and there is no limitation except by raising the discount rate, and that sometimes works hardships.

Mr. SNYDER. The gentleman knows there are several kinds of paper which the Federal reserve banks take and some that they can not take at all, but there is no limitation on the bank, as a member of the Federal reserve bank, as to certain kinds of paper it can take. The only way they could be limited would be to have some regulation such as proposed in this bill, so that a Federal reserve bank could say to banks of some sections of the country, "We will take what paper you have," and to another section of the country, where it would be needed, "We will not take any of your paper." This bill would give them the power.

Mr. PLATT. They have the power now.

Mr. SNYDER. If they have, they never dared to use it. The only reason now that they want it is because the Federal barrel is full, and they want a new arrangement, so they can stifle business by cutting down in certain sections of the country where money is needed and putting it somewhere else. Unless this bill is well explained and it is demonstrated that it has not given the power to the Federal Reserve Board to crush out industries in one section and plant them in another, the bill ought to be killed.

Mr. PLATT. The Federal reserve bank has got the power now to refuse discounts. It has the power to say to a bank that wants rediscount, you have got all you are entitled to. They have gone to New York City to some banks and told them that they could not have another cent. It is drastic. We do not want to have it so drastic. We want them to have a chance, so that they can say, "Yes, you can have a little more, but you must pay a little more"; so that they can go to their customers and hold them down as to speculative and unnecessary loans.

Mr. SNYDER. No one objects to that, if the Federal bank desires to curtail a man's rediscount by raising the rate in a certain zone. That is all right, if you use them all alike.

Mr. PLATT. That is what this bill does, and it plays no favorites.

Mr. McKEOWN. Will the gentleman yield?

Mr. PLATT. Yes.

Mr. McKEOWN. I understand the purpose of the act is to prevent the use of speculative schemes and to escape the great danger of speculation.

Mr. PLATT. That is one of its purposes. The large loans, the great rediscounts, come from banks that have connection with speculative centers frequently.

Mr. McKEOWN. Does the gentleman have any information that some of the interior banks in the country send deposits over to New York to be loaned on call while they were reducing loans in the local communities?

Mr. PLATT. That probably has been done, but I do not think to any large extent.

Mr. McKEOWN. In trying to curb speculation, is not the danger where an emergency should arise in some particular banking district because of great need for money? The money



is badly needed, and you will cause them to be deprived of these loans in order to try to remedy something that might exist in some other part of the country.

Mr. PLATT. Just the contrary. We do not want to be compelled to shut down on loans completely. That is why we are passing this bill.

Mr. SNYDER. If that is the reason for it, and the gentleman admits that the bank has the power to do it now, then there is no occasion for this legislation. Some of us believe that this does exactly the thing the gentleman says it does not do, and if the Federal Reserve Board now has the power to do the thing the gentleman says it has this will give them the legal or fixed right to do, what is the use of it?

Mr. PLATT. The Federal Reserve Board attorneys think it is doubtful whether they have this power now, and the board does not like to use powers about which there may be a doubt.

Mr. BLACK. Mr. Chairman, will the gentleman permit me to cite a short concrete case?

Mr. PLATT. I think I would better finish my statement, then the gentleman can ask any question he desires.

Mr. BLACK. If the gentleman will permit a very brief question, I am sure that it will clear up what the gentleman has in mind.

Mr. PLATT. Very well.

Mr. BLACK. If I understand the present law, if the Federal reserve bank wants to rediscount, we will say, agricultural paper of a certain class, it may fix a rediscount rate of 6 per cent.

Mr. PLATT. Yes.

Mr. BLACK. But that rate continues regardless of how much a member bank may borrow. If it is \$1,000,000, the rate will be 6 per cent, and the same rate would apply if it was only \$200,000.

Mr. PLATT. Exactly.

Mr. BLACK. If I understand the meaning of this bill, it is to allow the Federal reserve bank to fix what is called a graduated rate.

Mr. PLATT. On rediscounts above a certain line.

Mr. BLACK. So that it might announce to the member banks that hereafter there would be a 6 per cent discount rate on a certain class of agricultural paper, up to a certain percentage of the bank's borrowing capacity, a certain percentage of loans, and that then over that it shall be 8 per cent, and that over a certain amount it shall be 10 per cent. I understand that to be what the graduated plan means.

Mr. PLATT. The idea, of course, would be to raise it in quarter and half percentages.

Mr. BLACK. I am not intending that that shall be an exact illustration of what could be done, but that would illustrate the principle. The trouble now is that if you advance the rediscount rate you have got to advance it to all alike, and thereby penalize productive industry by making the interest rates too high.

Mr. PLATT. Exactly. You have to penalize small banks, or average banks, which have not discounted up to their line in order to curb the few banks that have gone above it.

Mr. BLACK. Yes; and the whole question of interest enters into it. The purpose of the amendment is to fix this graduated rediscount rate so that the man who has done only a reasonable amount will not be penalized by reason of the present law.

Mr. PLATT. That is the idea.

Mr. OSBORNE. Mr. Chairman, will the gentleman yield?

Mr. PLATT. I think I better not yield now. The gentleman can ask his questions after I am through with my statement.

Now, having "due regard for the claims of other member banks," the Federal reserve bank directors may refuse further loans to a bank which has asked very much greater accommodations than other banks, and that power has been exercised, but it is rather drastic, and it would often be better if additional accommodations could be extended, but at an advancing rate, which would make certain that the loan would not be continued longer than needed. Without such a means of checking expansion, where checking is most needed, the Federal reserve banks can only raise rates on all member banks in order to get at a few, and that seems hardly fair to the great majority of member banks which have not rediscounted anywhere near the limit which would be set for the normal rates. The idea is that normal maximum rediscount lines will be determined by a rule applying to all member banks in a district alike, and that the graduated rates will apply equally and ratably to all member banks rediscounting in excess of that line.

I think not many people will attempt to deny the necessity of checking expansion or inflation wherever it can be done without harming productive industry. A good deal of the most excessive borrowings are doubtless used for financing specula-

tion or for new ventures that are of doubtful economic value to the people at such a time of stress as this. Our gold reserves are at a dangerously low ebb, and the Federal Reserve Bank of New York has several times been below or right down at its legal requirement. The demand for credit continues beyond expectation and perhaps beyond reason—at any rate beyond the limits of safety. It must be held in check if we are to get through the critical period without serious trouble.

I am not disposed to criticize the methods by which the present expansion came about, through rediscount rates on Government war paper lower than the bond-interest rates, so that member banks had an inducement to rediscount, for I do not see how the enormous war loans could have been floated in any other way. The great bond issues and the high taxation applying only to certain classes brought about the present inflation and did not serve to check expenditure after the close of the war. In one campaign, that of the fourth Liberty loan, we sold bonds equal to the total amount of currency in the country of all kinds—gold, silver, greenbacks, Federal reserve notes, and bank notes. It was only possible to do this by borrowing and rediscounting and spreading the issue over some months through the previously issued Treasury certificates. The bonds are not all paid for yet by the people who bought them, and the banks are loaded with them, tying up funds which they would otherwise have free to loan. On top of that came the Victory notes, and if we should have another big bond issue no one could tell what would happen.

What people fail to realize is that the critical financial period comes after a war is over—generally more than a year afterwards. Look at the chaos in Europe. Read Fisk's Critical Period of American History or, better yet, the first two volumes of Beveridge's Life of John Marshall for the period following the Revolution.

The trouble is that people do not understand the seriousness of the situation. The war is over, the soldiers coming home. Everybody is rejoicing, money seems plentiful, and business is booming.

The war economies are thrown aside. Are not the high war prices soon to be reduced? Are not the war taxes soon to come down? It is natural that people should feel that they can spend freely again, but it does infinite harm. The tremendous expenses of the war can not be stopped at once. The war industries must be eased down to avoid widespread bankruptcy and the men employed in them must be given a fair chance to find other employment. The peak of the Civil War debt was not reached until August, 1866, more than a year after the war was over, and the greatest depreciation of the greenbacks came considerably later. The peak of the debt of this war was apparently reached a few months ago, about a year after the armistice, but we have scarcely yet been able to pay off any appreciable amount of the great floating debt represented by Treasury certificates. Until that is substantially reduced the country can not feel safe.

We are far better off than the countries of Europe. Our currency is on a gold basis, and since last May we have been sending gold in large amounts to South America and to the Orient to pay our debts; but we have been at the same time selling to Europe on credit and are only just now beginning to receive some small payments in gold. No payments commensurate with the enormous debt Europe owes us can be expected for some years.

We are at the critical period financially right now and everything depends upon whether we can check speculation and unnecessary expansion and can gradually bring our banking conditions to a normal basis. This bill offers a means to that end and should be passed.

Mr. SNYDER. Mr. Chairman, will the gentleman yield for a question?

Mr. PLATT. Certainly.

Mr. SNYDER. The gentleman understands, of course, that in the State of New York a rate higher than 6 per cent for commercial and business paper would be usury?

Mr. PLATT. Yes.

Mr. SNYDER. That is, a bank can not charge over 6 per cent.

Mr. PLATT. That is the law, as I remember it.

Mr. SNYDER. Suppose in the gentleman's town his banks could loan up to their 8 per cent reserve and the Federal reserve banks should say to the gentleman's bankers, "Your rate from to-morrow on is 7 per cent for rediscount," how much paper does the gentleman think the bank could take in under such a condition as that?

Mr. PLATT. Of course, that probably would not be done, but it might be done.



Mr. SNYDER. The Federal reserve bank is charging 6 per cent for rediscount now, which is the full rate which we can charge for commercial paper.

Mr. PLATT. The gentleman must know that that is the unfailing practice of all central banks in Europe, like the Bank of England, to charge a higher rediscount rate than the commercial rate. You do not want to induce banks to rediscount. That must be something to which they will resort only when they really need to. There should be no actual profit in it.

Mr. SNYDER. I must say that that is an entirely new theory and policy.

Mr. PLATT. That is the uniform practice of every central banking institution.

Mr. SNYDER. So that the gentleman's bank in Poughkeepsie, if he desires to rediscount, must pay a premium for doing so?

Mr. PLATT. It should do so.

Mr. SNYDER. If this bill the gentleman is presenting here gives the right to do it, I am more against it than I was before.

Mr. PLATT. The right exists now, and the board intends to exercise it when it gets a chance, as you will see from reading its reports.

Mr. HUSTED. Will the gentleman yield?

Mr. PLATT. I will.

Mr. HUSTED. I would like to ask the gentleman, in order to satisfy those of us who believe that discrimination can be practiced under the provisions of this bill as drawn, whether he would agree to an amendment to insert the word "uniformly" before the word "graduated" in line 9? I am convinced that discrimination can be practiced under this bill as it has been drawn, and I think it could be safeguarded.

Mr. PLATT. That is fully covered in other parts of the Federal reserve act.

Mr. HUSTED. This is an amendment which is not in here.

Mr. PLATT. Well, I will consider that when the time comes for amendment. I do not believe that it would do much harm for it is fully covered by the law—section 4, I believe.

Mr. OSBORNE. Will the gentleman yield?

Mr. PLATT. I will.

Mr. OSBORNE. Referring to this very matter of uniformity in the treatment of banks, the illustration was made by one gentleman who preceded me of two banks of the same capitalization and the same amount of surplus, uniformity of treatment requiring that they should receive exactly the same consideration in extent of discounts. My inquiry is this, Whether uniformity in treatment might not involve certain other questions—the question of the business of the two banks, the nature of their business—which would be ample reason for preventing the Federal reserve banks from giving the same amount of accommodation to one bank which properly they might give to another?

Mr. PLATT. That might happen. One bank might have business which was largely speculative and they might shut down on further loans to it. They have that right now.

Mr. MACCRATE. Will the gentleman yield?

Mr. PLATT. I will.

Mr. MACCRATE. Would it be possible to limit this bill so that it would not cover discounts already made if they are to be renewed? For instance, a great many banks encouraged their depositors to buy Liberty bonds, and they guaranteed to carry those Liberty bonds for 80 or 90 per cent for a certain period. Now, if they find that the Federal reserve discount rate is being raised they must go to their borrowers, whom they have encouraged to buy these Liberty bonds, and say, "We are sorry, but our rate has been raised, and therefore we will have to raise your rate." Some of the banks who have encouraged their depositors to buy these Liberty bonds might find that they are losing depositors because they can not keep their guaranty—

Mr. PLATT. They can keep it if the rate should be the same.

Mr. MACCRATE. But would it be possible to provide that it should not attach to discounts heretofore made if they should be renewed?

Mr. PLATT. No, I think not; because the people ought to pay for their bonds, and many people will not pay as long as they can borrow on bonds more cheaply than on other security. The smaller purchasers of Liberty bonds have taken care of their bonds long ago or sold them. You can go into most any bank and can not find any fifty or hundred dollar bonds coming in now. They have been paid for long ago or sold.

Mr. MACCRATE. Some of the large banks hold those bonds to the extent of millions of dollars.

Mr. PLATT. People ought to pay for their bonds instead of spending their money for luxuries. The collateral bond rate ought not to be lower than the commercial rate. That is the very cause of inflation or expansion.

Mr. MACCRATE. As a matter of fact, banks that encouraged depositors to buy Liberty bonds may find their efforts have hurt their credit with the Federal reserve.

Mr. PLATT. Their guaranty to the purchaser of the Liberty bond which was extended has already expired. Now, does the gentleman from Massachusetts want some time?

#### MESSAGE FROM THE SENATE.

The committee informally rose; and Mr. BACHARACH having taken the chair as Speaker pro tempore, a message from the Senate, by Mr. Crockett, one of its clerks, announced that the Senate had passed with amendments the bill (H. R. 11578) making appropriations for the service of the Post Office Department for the fiscal year ending June 30, 1921, and for other purposes; had requested a conference with the House of Representatives and had appointed Mr. STERLING, Mr. TOWNSEND, Mr. PHIPPS, Mr. BECKHAM, and Mr. HENDERSON as the conferees on the part of the Senate.

The message also announced that the Senate had passed a bill of the following title, in which the concurrence of the House of Representatives was requested:

S. 2528. An act to grant certain lands to the city of Pocatello, State of Idaho, for conserving and protecting the source of its water supply and as a municipal park site.

The message also announced that the Senate had passed the following order:

Ordered, That in accordance with paragraph 3 of Rule I Mr. CURTIS, a Senator from the State of Kansas, heretofore designated in writing by the President pro tempore to perform the duties of the Chair from day to day be authorized to perform such duties during the present absence of the President pro tempore.

The message also announced that the Senate had passed joint resolution (S. J. Res. 180) authorizing the Secretary of War to turn over to agricultural fertilizer distributors or users a supply of nitrate of soda, in which the concurrence of the House of Representatives was requested.

#### AMENDMENT TO THE FEDERAL RESERVE ACT.

The committee resumed its session.

Mr. PHELAN. Mr. Chairman, am I entitled to an hour?

The CHAIRMAN. The opposition is entitled to an hour.

Mr. PHELAN. I will ask for that time, Mr. Chairman.

Mr. PLATT. How much time have I used?

The CHAIRMAN. The gentleman from New York has used 37 minutes.

Mr. PLATT. I reserve the balance of my time.

Mr. PHELAN. If nobody else wants it I would like to have that time.

The CHAIRMAN. The gentleman from Massachusetts.

Mr. PHELAN. I yield 15 minutes to the gentleman from South Carolina [Mr. STEVENSON].

Mr. STEVENSON. Mr. Chairman, a good deal has been said already about this providing for discrimination. I will call the attention of the gentleman, and especially the gentleman from New York who apprehended that, that section 4 of the bill absolutely prohibits that, referring to the board of directors of the Federal reserve bank of any region. It says:

That said board shall administer the affairs of said bank fairly and impartially and without discrimination in favor of or against any member bank or banks, and shall, subject to the provisions of the law and the orders of the Federal Reserve Board, extend to each member bank such discounts, advancements, and accommodations as could safely and reasonably be made with due regard for the claims and demands of other member banks.

That settles the question, and it is provided that they must provide for one as well as for another. They can not provide for one bank and not as to another. Now, why is this proposition brought forward? I can show you very quickly why it is brought forward. If you will look at the condition that existed about last January you will see that there was borrowed at the Federal reserve banks of the United States \$6,241,000,000. Now, of that there was borrowed from the Federal reserve banks in the city of New York \$3,454,000,000 and there was borrowed from the bank in Philadelphia \$647,000,000, leaving out that area there was only \$2,139,000,000 borrowed from all the rest of the banks in the United States. Well, now let us look for a minute a little further. That was borrowed on paper secured by United States security, \$5,245,000,000 of it, and nearly all of it was borrowed in those cities on that paper. What is the result? Why, those banks got to where their gold reserve was not sufficient for the Federal reserve notes they had out and the Federal Reserve Board ordered an increase of the discount rates in order that they might stop speculation and the over-borrowing that was being done in certain quarters. And what was the result? They had to put up the discount rates on every bank, on every farmer, and on every man in this country that borrowed.



Mr. HUSTED. Will the gentleman yield?

Mr. STEVENSON. In one minute. I want to finish this statement.

This was the rate they prescribed: Certificates of indebtedness of the United States, 4½ per cent; notes secured by Liberty bonds, 5½ per cent; bank acceptances, 5 per cent; commercial paper of all kinds, 6 per cent; agricultural paper, 6 per cent. And at that time the agricultural districts were borrowing very little money, and there was no sense in the world in making them pay 6 per cent, and they could have gotten money out of the Federal reserve banks at 4½ per cent but for the fact that one or two institutions were borrowing eight, or ten, or twelve times their capital stock and surplus from the Federal banks in these centers, and the result was they were being sent to the Federal reserve banks all over the United States to get the money.

Mr. HUSTED. I would like to ask the gentleman if a very large part of this borrowing in New York City and Philadelphia, to which he refers, was not for the purpose of purchasing certificates of indebtedness from the Government of the United States in order to aid the Government?

Mr. STEVENSON. Let us see about that.

Mr. HUSTED. That is where they were sold.

Mr. STEVENSON. There was discounted in New York three billion and more, and there was only \$85,000,000 of customers' paper. Eighty-five million dollars was discounted by the local banks for their customers on the United States paper attached and then rediscounted. The balance of it, \$2,980,000,000, secured by United States bonds and other paper of that kind, was discounted directly by the banks.

Mr. SNYDER. What I am interested in having the gentleman tell us is how much of that \$2,800,000,000 was made up of certificates of indebtedness of the United States?

Mr. STEVENSON. I do not know; but there was so much that the Federal Reserve Board came up and said, "Here is a speculative era, and we are going to stop it," and they put up the discount rates, and they stopped it to a considerable extent. They got an excess over their gold reserve, and what was the result? They went to the Federal reserve bank at Atlanta, in an agricultural district; at Dallas, in an agricultural and stock district; at Kansas City, in an agricultural and stock-raising district; in Minneapolis, an agricultural district; in Chicago, which deals with the agricultural interests; to Cleveland and Boston, and they borrowed \$115,000,000 from those centers, and there had to be something done to stop it, and that rate was put up. They are now reducing those things; but the proposition is simply this: Are you going to allow a few money centers, a few large banks, to have all the money the Federal reserve banks can issue, and then leave nothing for the rest of the country, for the agriculture of this country, and then, when you want to stop it, put up the rate on commerce and agriculture in order to put the rate up on the speculator? That is the proposition.

Mr. MADDEN. Will the gentleman yield?

Mr. STEVENSON. Yes, sir.

Mr. MADDEN. If the Government was unable to finance this three billion of a deficit which it is now carrying in certificates of indebtedness, what would happen?

Mr. STEVENSON. The Government would default. That is what would happen. I do not think the gentleman needs any opinion from me in order to know that.

Mr. MADDEN. The gentleman knows the Government could not finance its own certificates of indebtedness, but had to borrow the money somewhere?

Mr. STEVENSON. To be sure.

Mr. MADDEN. And then the discount was made at the place where the Government was compelled to borrow?

Mr. STEVENSON. The gentleman will agree with me that the rate of discount was raised by the Federal reserve banks, not because they were securing certificates of indebtedness, but because they were milking this country in order to furnish the speculator that money and to loan on call, and that was what the Federal Reserve Board said had to be stopped. What was the result? It resulted in people who wanted to borrow on the agricultural paper paying 6 per cent and people in Minnesota and South Carolina paying it, when there was no necessity for it. That is what it resulted in. This proposition proposes to regulate that, so that there will be justice between the different banks.

There is another thing I want to call your attention to in relation to that. When they exceeded their gold reserve in issuing Federal reserve notes in New York and went to borrow from the country, what was the result? If that is allowed to go on indefinitely they will borrow at Atlanta until it gets to the gold-reserve limit, and then at Dallas and at Kansas City,

the same thing, and at Chicago and Minneapolis, and at St. Louis and Cleveland and Boston, and pretty soon they will get the money in this country loaned up in one bunch over here, loaned up to where there is not a Federal reserve bank in the United States can issue another note, and then what will become of the Government's certificates of indebtedness? Where will the money come from to finance them when you get to the point where one set of banks has gotten all the money in this country? There is no escape from it.

What is this proposition? It is simply this: The directors of the Federal reserve banks of the fifth district will say, "If you want paper, if you want money, you can get it up to, say, 100 per cent of your capital and surplus at the minimum rate of 4½ per cent. If you want to get up to 125 per cent of your capital and surplus, we will put it up to 5 per cent. Now, is not that fair? Shall the bank that only borrows a little be penalized and put up to a higher rate because some other fellow wants to borrow it all?"

Mr. HUSTED. Is it the purpose of this bill to stop margin speculation? Is that the real purpose?

Mr. STEVENSON. No, sir. The purpose is to prevent any one banking institution from absorbing all or the majority of the capital of any reserve bank, to the exclusion of the other banks in that region, without its being penalized. It is to make them deal justly, and you will notice the very section we are amending says that they shall have regard to the needs of commerce in fixing their rates of discount.

Section 4, that I quoted awhile ago, says there shall not be any discrimination as between banks. Well, if you let one bank borrow 300 per cent of its capital and surplus—and some have borrowed ten times their capital and surplus, as I am informed—if they make a profit on ten times their capital and surplus should they not pay a little more for the privilege? And should we not write into the law a provision that will make it a little less expensive for the bank that borrows only 50 per cent of its capital and surplus?

Mr. HUSTED. Mr. Chairman, will the gentleman yield?

Mr. STEVENSON. Yes.

Mr. HUSTED. I know many banks in New York State have borrowed heavily from the Federal reserve banks in order to assist the Government in floating its loans. They did not have the money and they had to borrow it from the banks. Now, if it is the proposition of the gentleman to force those banks to liquidate their loans when they put up their money to patriotically aid the Government, then I say that this bill, instead of working justice, would work very gross injustice.

Mr. STEVENSON. If you take the gentleman's argument, the more money the bank borrows and the less it leaves for the other fellow, the less it ought to pay. That is his proposition, whereas it is the other way. The less a bank borrows the cheaper the rate it ought to have, and that is the rule in all the banking concerns that ever I have been connected with, that the man whose credit is good and who does not borrow very largely always gets the cheapest rate. That is a business proposition. But you do not put in any discrimination at all. Discrimination is prohibited. All those borrowing within the same limit get the same rate.

Now, what is the situation to-day? The farmers of the South are making their loans to-day. They are making them under this rate and it had to be put high. They are making them under a rate that had to be put up, so the Federal Reserve Board said—and said it unanimously—to stop speculation. They are making them on the basis of the banks having to pay the Federal reserve bank 6 per cent interest. The Federal Reserve Board will tell you that if it was not for this situation they could get it for 4½ per cent.

The CHAIRMAN. The time of the gentleman from South Carolina has expired.

Mr. PLATT. Mr. Chairman, I yield 10 minutes to the gentleman from Indiana [Mr. DUNBAR].

The CHAIRMAN. The gentleman from Indiana is recognized for 10 minutes.

Mr. DUNBAR. Mr. Chairman and gentlemen of the House, the inflation of our national currency, due to the issue of Federal reserve notes, has been increasing to an extent not fully realized and continues to increase with steady progress not calculated to enable the regional reserve banks to serve in times of threatened financial and industrial panics the purpose for which they were intended.

The financial and circulation statements issued by the Secretary of the Treasury reveal:

The inflation of currency during the last six months to have been an increase in Federal reserve notes of \$490,380,835, a decrease in our gold supply of \$223,960,125, and of silver money



\$28,159,623, making a progress toward currency on a paper basis as follows:

Increase of Federal reserve notes.....	\$490,380,835
Loss of gold.....	223,960,125
Loss of silver.....	28,159,623
Total.....	742,500,583

Should the same financial operations continue for the next six months we shall in a year's time from September 1, 1919, to September 1, 1920, have inflated the circulating medium on a paper basis of approximately \$1,500,000,000. The increase has been with almost uninterrupted continuity, evidenced as follows:

Federal reserve notes Mar. 1, 1920.....	\$3,255,213,250
Federal reserve notes Sept. 1, 1919.....	2,764,832,415

There was an increase in the issuance of Federal reserve notes in five of the months and a decrease in one month from September, 1919, to February, 1920, inclusive, as follows:

	Increase.	Decrease.
September, 1919.....	\$121,456,100	
October, 1919.....	72,411,860	
November, 1919.....	100,951,625	
December, 1919.....	236,137,145	
January, 1920.....		\$169,903,870
February, 1920.....	129,327,975	
Net increase.....		490,380,835
Total.....	660,284,705	660,284,705

During the present month the increase in the issuance of Federal reserve notes to March 25 amounts to \$37,605,000, although in the same time there has been a decrease in Federal reserve bank notes of \$28,396,000, but an increase during the fiscal year of \$21,800,000.

The inflation of the currency since July 1, 1918, has been as follows:

Federal reserve notes, Mar. 1, 1920.....	\$3,255,213,250
Federal reserve notes, July 1, 1918.....	1,847,580,445
Increase in 20 months.....	1,407,632,805

Our supply of gold and silver bullion and coin has been depleted as follows:

GOLD.		
July 1, 1918.....	\$3,076,482,515	
Mar. 1, 1920.....	2,720,767,607	
Decrease in 20 months.....	355,714,908	
SILVER.		
July 1, 1918.....	731,832,323	
Mar. 1, 1920.....	551,333,776	
Decrease in 20 months.....	180,498,547	

From July 1, 1918, until July 1, 1919, there was an increase in the Nation's gold resources, but the decrease since the beginning of the fiscal year amounts to \$374,309,861.

The circulating medium as of July 1 and March 1, 1919, was as follows:

	Paper.	Specie.	Total.
Mar. 1, 1920.....	\$4,562,369,841	\$3,243,941,959	\$7,806,311,800
July 1, 1919.....	3,941,181,713	3,647,292,058	7,588,473,771
	621,188,128	—403,350,099	217,838,029

More than \$567,000,000 of the above increase noted in paper was issued by the Federal Reserve Board.

According to Bulletin No. 32, under date of March 26, 1920, published by the United States Council of National Defense, the Federal Reserve Board has quoted that the export of gold from the United States for the first 10 days of March, 1920, amounted to \$28,316,952, and the imports only \$8,010,354, showing a loss of gold for the first 10 days of March amounting to \$20,306,598. The board also announces that since January 1, 1920, the export of gold amounts to \$119,182,202 and the imports to \$28,316,953, resulting in an exhaustion of our gold supply amounting to \$90,865,249.

Our present monetary condition is, I believe, cause for the gravest concern. Contemplation of these figures, taken from governmental reports, reveals a large expansion in the inflation of currency on a paper basis. Unfortunately this inflation continues to-day, and if present conditions continue to prevail in the future we can not see the end, unless the Federal Reserve Board, realizing the dire calamities which will surely befall our financial and industrial institutions, casts an anchor to the windward and conserves our resources while there is yet time. [Applause.]

Inflation of the currency is associated with inflation of prices and is one of the elements productive of the high cost of living. It seems strange that in time of peace one of the factors in the present high cost of living should be the inflation of our currency. Yet it is true. It therefore behooves us, in order to reduce the high cost of living, to reduce our inflated currency so that it may represent real instead of fictitious value.

During the last months the Federal Reserve Board has undertaken to check the expanse of credit and the increased issue of Federal reserve notes by raising its discount rate, supposedly for the purpose of checking the frenzy, too prevalent, of stock speculations. Too much credit is used for speculative purposes. One has but to read the events on the various stock exchanges to be appalled by the amount of credit required for speculative purposes in the unproductive but necessary monetary centers.

If trading on stock exchanges were limited to investments, and "bulling" of the markets and the covering of shorts materially curtailed, much relief might be offered, with a resultant deflation in currency.

It seems to me that if the Federal Reserve Board would exercise a more careful control of credits extended for speculative purposes and endeavor to obtain the cooperation of banking officials the monetary inflation would cease and enable more credit to be diverted for industrial purposes.

We hear much in these times about increased production, economy, and thrift. Unfortunately human nature in America at the present time is mad in the indulgence of luxury and extravagance. [Applause.] We seem to expect much of the artisan and laborer, but by far the greater remedial results can be obtained by the practice of economy and thrift among the middle class and the rich. It is they who in their personal expenditures consume and expend.

The CHAIRMAN. The time of the gentleman has expired.

Mr. DUNBAR. Mr. Chairman, may I have one minute more?

Mr. PLATT. I yield to the gentleman one minute more.

The CHAIRMAN. The gentleman from Indiana is recognized for one minute more.

Mr. DUNBAR. The purpose for which the Federal reserve banks were organized was to afford relief where financial and industrial danger threatened. By its beneficial provisions we were able to finance our war credits on the scale necessitated, but now is the time to put our house in order, and we must not continue to capitalize credit available and be unprepared for future emergencies. Money and credit to be used for speculative purposes should be withheld at least for a time and preparations begun to deflate the currency to a volume sufficient for legitimate business enterprises. [Applause.]

#### MESSAGE FROM THE PRESIDENT OF THE UNITED STATES.

The committee informally rose; and Mr. SNYDER having taken the chair as Speaker pro tempore, a message, in writing, was communicated to the House of Representatives by Mr. Sharkey, one of his secretaries, who informed the House of Representatives that the President had approved and signed bills and joint resolution of the following titles:

On March 29, 1920:  
H. R. 909. An act for the relief of Ellen Agnes Monogue; and  
H. J. Res. 316. Joint resolution relating to supervision of the Lincoln Memorial.

On March 30, 1920:  
H. R. 5346. An act for the relief of the Eastern Transportation Co.;

H. R. 12467. An act making appropriations for the support of the Military Academy for the fiscal year ending June 30, 1921, and for other purposes;

H. R. 946. An act for the relief of James A. Showen;  
H. R. 1317. An act for the relief of Robert T. Legge; and  
H. R. 12954. An act providing for the relief of populations in Europe and in countries contiguous thereto suffering for want of food.

#### AMENDMENT TO THE FEDERAL RESERVE ACT.

The committee resumed its session.  
Mr. PLATT. Mr. Chairman, I yield seven minutes to the gentleman from Illinois [Mr. KING].

Mr. PHELAN. And I yield the gentleman eight minutes.

The CHAIRMAN. The gentleman from Illinois is recognized for 15 minutes.

Mr. KING. Mr. Chairman, I regret that I have not had sufficient time to arrange my data and reduce my materials to writing. On a subject of this kind it is very essential and necessary, in dealing with figures and money matters, that a man should commit his statements to writing most of the time.

I have begun to take quite an interest in matters relating to banking and currency, and especially in the subject of money. When you once get to studying it a little—and I have always



studied it a little, theoretically—you will find that it is one of the most interesting subjects that can be produced. In fact, the stories of the Arabian Nights are not more interesting than the stories you find in the financial maneuvers of many of the people of this country and of other countries. What an interesting story it would make to tell how, some time before last Christmas, Lord and Lady Swathling came over from England to put their young son in an American school, and incidentally to help in some matters that were then pending in this country, and then to recite how one day he walked down to the Treasury of the United States, and, like Aaron of old, knocked on the bronze doors, which opened, and lo! from thereout began to flow United States gold to all parts of the earth.

I am not going to discuss that question particularly, because it is not pertinent to this bill; but it shows the interesting character of things that occur in connection with high financial matters.

I may say that I do not have the confidence in the Federal Reserve Board and their opinions that some of the members of the Committee on Banking and Currency have, and which some of the Members of this House have; and I lost my confidence in them when they advised Congress to pass what is known as the Edge law, for the purpose of incorporating companies to do an international speculation business, and because they represented to the Congress and to the committee that the purpose of it was not for speculation, not for building up industries in foreign countries, but for the purpose of stabilizing foreign exchange. You remember when that discussion was had.

Now, what has come about under that law with respect to stabilizing foreign exchange? As a matter of fact, it was a species of deceit on the part of the Federal Reserve Board to impose upon Congress with any such statement as was made at that time. I do not want now to refer to what I happened to say at that time, because it probably does not amount to very much, but I did state at that time that the purpose of that bill was to take American money and build factories in foreign countries for the purpose of manufacturing goods with cheap labor and to import those goods into the United States for sale at an immense profit.

Already in the Kingdom of Czechoslovakia they have recently erected a large cotton mill. The natives have gone to work, very laudably indeed, in a factory built by American money. Where do they expect to get their market? In America. Whether or not that is going to be a good proposition for the American workingman and the American capitalist, unless they have their money invested abroad, I can not say.

But, getting down to this bill, the bill now before the House is H. R. 12711, recommended for adoption by the Committee on Banking and Currency in its Report No. 678.

Page 138, section 14, of the Federal reserve act enumerates the powers of the Federal reserve banks pertaining to open-market operations. Among them—subdivision d—is the power—

To establish from time to time, subject to the review and determination of the Federal Reserve Board, rates of discount to be charged by the Federal reserve bank for each class of paper which shall be fixed with a view to accommodating commerce and business.

It is proposed by this bill to add to what I have just read the following words, to wit:

And which, subject to the approval, review, and determination of the Federal Reserve Board, may be graduated or progressed on the basis of the amount of the rediscount and discount accommodations extended by the Federal reserve bank to the borrowing banks.

As a reason for this legislation the Federal Reserve Board, in their sixth annual report to Congress for the calendar year ending December 31, 1919, say that—

There is in said subdivision (d) no authority for establishing graduated rates based upon the total borrowing of a member bank, and consequently when it becomes necessary to advance the discount in order to curb the demands of those banks rediscounting with the Federal reserve banks in very large amounts the same rate would have to apply to the moderate requirements of other member banks who may rediscount with the Federal reserve banks infrequently and never excessively. Thus the application of rate advances as a corrective or deterrent to certain banks tends to raise the current rates to all.

The board therefore recommends to Congress that an additional power be granted it by adding to subdivision (d), section 14, a proviso that each Federal reserve bank may, with the approval of the Federal Reserve Board, determine by uniform rule, applicable to all its member banks alike, the normal maximum rediscount line of each member bank, and that it may submit for the review and determination of the Federal Reserve Board graduated rates on an ascending scale to apply equally and ratably to all its member banks rediscounting amounts in excess of the normal line so determined.

In this way, in the opinion of the board, it would be possible to reduce excessive borrowings of member banks and to induce them to hold their own large borrowers in check without raising the basic rate.

The Federal reserve banks would thus be provided with an effective method of dealing with credit expansion more nearly at the source than is now practicable and without unnecessary

hardship to banks and borrowers who are conducting their affairs within the bounds of moderation.

I shall vote for this bill, not because it grants additional power to the Federal reserve banks but because it does not.

One of the chief recreations of the numerous professorial boards that infested Washington during the war was the chasing and capturing of phrases. More genuine glee beamed in the eye of a member of the professoriate when he invented a new phrase than even before possessed him in the capture of a butterfly on the college campus. So the phrase "graduated or progressive discounting or rediscounting" placed in the Federal reserve act, while it will adorn the rhetoric, will not increase the power.

In my humble judgment, if this power of progressive discounting does not already exist in section 14d as it now stands, it certainly stands out powerfully in the power given to every Federal reserve bank in section 14 of the act, which is as follows, to wit:

Said board shall administer the affairs of said bank fairly and impartially and without discrimination in favor of or against any member bank or banks, and shall, subject to the provisions of law and the orders of the Federal reserve board, extend to each member bank such discounts, advancements, and accommodations as may be safely and reasonably made with due regard for the claims of other member banks.

Therefore, will anyone seriously contend that the alleged power asked for in this bill to the effect that discounts "may be graduated or progressed on the basis of the rediscount and discount accommodations extended by Federal reserve banks to the borrowing banks" is not already covered by the existing power giving said banks the right to extend such discounts as may "safely and reasonably be made"?

No power over the subject could be broader. It would certainly include the power "to determine by uniform rule, applicable to all its members alike, the normal maximum rediscount line of each member bank" and to submit to the Federal Reserve Board graduated rates on an ascending scale to apply equally to all its member banks rediscounting amounts in excess of the normal line so determined. This contention is unquestionably sustained by the law department of the Federal Reserve Board, which has recently held, in construing said section 4, and especially the words "may be safely and reasonably," that such words imposed upon the Federal reserve bank an obligation to make only those discounts which "may be safely and reasonably made"; that "the length of the line of any one particular borrower appears to be a pertinent consideration in determining both the safety and reasonableness of a discount"; and that "a Federal reserve bank may properly decline to discount for a member bank the paper of any one borrower on the ground that the Federal reserve bank has heretofore discounted for other member banks what it deems a sufficient amount of that particular borrower's paper."

Necessity not existing for this legislation, there appear but two reasons for asking it, the first one of which is the ease with which the Federal Reserve Board obtains legislation from Congress, and the second to enable the board and its supporters to lay the blame on Congress for not passing this alleged enabling law in time to avoid a crash, if any.

The administration of the Federal reserve act is responsible for the high cost of living.

That our highly elastic currency has been inflated by the Federal Reserve Board would perhaps not be so exact as to say that it has been stretched and is now close to the snapping point. Uncle Sam stands back of the Federal reserve bank dollar, so that the individual need have no fear except as he is one of the taxpayers who stand behind Uncle Sam and who in a crash must sustain the loss.

Is the low-priced dollar the cause of the high price of living or is the high cost of living the cause of the low-priced dollar? We do know that they appear together, and we do feel sympathy with the colored gentleman who wrote from Enid, Okla., saying, "This rubber goods in the banking law am making things bad for our farmers." [Laughter and applause.]

I see I am not going to have time to go into the matter that I expected to go into. That is this: I make the charge upon this floor that the administration of the Federal reserve act has been the cause and almost the sole cause for the high cost of living in the United States. If you to-day are paying \$125 for a suit of clothes worth \$40, charge it up to the Federal Reserve Board. If you are paying \$12 or \$15 or \$20 for a pair of shoes, charge it up to the administration of the Federal Reserve Board. Sunday I saw an old lady picking her way along the street. Instead of shoes she was wearing cloth overshoes which were nearly worn out. When you see anything like that on the streets of Washington, charge it to the Federal Reserve Board. They, and they



alone, in the administration of this act are to blame for the high cost of living.

How is this money made? Talk about inflation! How many of us understand what inflation is? It is not strictly inflation. It is too much elasticity. It has been stretched almost to the snapping point. Now, do not any of you get alarmed because I am taking out a little bit of money from my pocket and putting it on the table here. Here are a number of Federal reserve notes which I hold in my hand. I lay them upon the table. Various gentlemen, for the purposes of illustration, have handed to me a number of bills of exchange and drafts. They have been down to South America and have bought up all the leather in the country. They have bought up all the wool in the country. Other gentlemen have bought up all the lumber in the country. As a matter of fact, they are hoarders. I am not charging them with that personally, but for the purposes of this illustration. Now gentlemen hand me a number of imitation drafts, of notes, and of bills of exchange, based upon their illustrative operations and based upon the price not at which they purchased the stuff but on the price at which they are selling it to the manufacturers and to the people of the country. What is done with all these drafts? They are put in the member bank. From the member bank they are transferred to the Federal reserve bank. The Federal reserve bank takes them and goes down to the Treasury and passes them in and takes out Federal reserve notes. So what is all this money based on? There is a 40 per cent gold reserve, but the rest of the money is based upon these drafts, notes, and bills of exchange, the foundation for which is a large hoard of wool and of leather and of lumber and of the necessities of life. You will notice that the gentleman who preceded me said that nearly 70 per cent of all these loans were in the city of New York, where the speculators are, where the hoarders are, where the men are who have piled up millions of dollars by this machinery, and are continuing to do it in time of peace and paying us in this counterfeit money issued by the Federal reserve bank. No wonder it has so little value. What will happen when the price of these things goes down? What will happen to the money which is based upon them? No one knows what will happen; but the crash will come some day.

Here is the point I want to make: What is the interest in this whole thing? Why should these high prices be kept up? Why should the price of wool and leather be kept up? The bankers who have issued and guaranteed this money are interested in the price being maintained. What is back of this money? Why, this leather and lumber and wool and these other things against which this currency has been issued. If the price of those goes down, what happens to this currency? They will never let the price go down, never in the world.

Now, they talk about rediscounting. That amounts to nothing whatever. The men who want to speculate will get their money somehow. This bill will not do a particle of good in that regard. The only remedy is liquidation of some of these things. Let some of them pay their bills to these banks. Let there be a curtailing of the issuance of these Federal reserve notes which I hold in my hand. There is no limit provided by the law. Not even the sky has been provided as the limit for the issuance of this money. So long as they go on bringing in the wool and the leather and all this other material and issue these bills of exchange against the holdings of the same for high prices and trade the same for this cheap money, then there will be no reduction in the high cost of living. [Applause.]

Mr. WELTY. Will the gentleman yield?

Mr. KING. Yes.

Mr. WELTY. Is not that money worth 100 per cent in gold?

Mr. KING. Every one of these paper dollars will purchase just as much as a gold dollar in this country, but that is not the point.

Mr. PHELAN. Mr. Chairman, this bill permits the Federal reserve banks, subject to the approval and determination of the Federal Reserve Board, to graduate or progress interest rates on certain standard bases. Under the Federal reserve act as it stands on the statute books to-day the Federal reserve banks, subject to the approval of the Federal Reserve Board, can make different rates of interest on different kinds of paper, but they can not graduate the rate or progress the rate on the same kind of paper. For example, if they put a 6 per cent rate on commercial paper in the New York Federal reserve district, they have got to charge every member bank the same rate. They must charge every bank that comes up for rediscount 6 per cent, it does not matter how much rediscounting or how little rediscounting the particular bank wants. Every bank which comes up must pay that 6 per cent.

If this bill becomes a law it will permit the Federal reserve bank, subject to the approval of the Federal Reserve Board, to progress that rate. In other words, it has in view that the

Federal reserve banks, if they see fit to do so, may grant a certain normal line of credit. They may establish what they call a normal line of credit based on some standard such as the capital and surplus, or perhaps reserves, of a particular bank, or possibly upon the assets. It is left to the Federal Reserve Board to establish the standard, but the standard must be based upon the amount of rediscount and discount accommodations.

For that normal line of credit they will charge the prevailing rates—in the case I mention 6 per cent. If a particular bank wants to get more credit than it will be entitled to under that normal line of credit established, it may, if the Federal bank sees fit to do it, be required to pay a little higher rate of interest. Let me give you an example. Say a certain member bank under the rules laid down is entitled to a million dollars rediscount from the Federal bank as a normal line. If that bank borrows a million and a half, the Federal reserve bank may charge that particular bank something extra on the excess. It would charge the normal rate for the first million but may charge a little higher rate for the next half million.

Mr. HUSTED. Will the gentleman yield?

Mr. PHELAN. Yes.

Mr. HUSTED. The gentleman stated that the Federal reserve bank, subject to the approval of the Federal Reserve Board, would have the power to establish the standard upon which the advances would be made. I would like to ask the gentleman if he does not think the standard should be fixed in the bill itself?

Mr. PHELAN. No; I went over that with the members of the Federal Reserve Board, and it is extremely difficult to tell what the best standard would be.

Mr. HUSTED. That is the reason I asked the gentleman the question.

Mr. PHELAN. It is a matter to be determined only from experience.

Mr. HUSTED. Is it not possible under the terms of this legislation that the Federal Reserve Board might, for example, refuse to advance more money to a bank with a capital, say, of a million dollars, surplus, and undivided profits than it would to a bank with a capital of \$500,000, surplus, and undivided profits?

Mr. PHELAN. That would depend upon the standard they take, and the standard they take will be taken with the idea of giving the banks credit to the extent they ought to have the credit.

I think it is not unlikely that they will take the capital and surplus as a basis, but it may be that the reserves would make a better basis. I have not the slightest worry that there is going to be any discrimination by the Federal Reserve Board or the Federal reserve banks.

Mr. HUSTED. I do not see how they can establish a basis of that kind without practically discriminating against some banks. I do not see how it is possible to do it. Where you progress your rates on the basis of deposits you would work injustice to some banks. On the other hand, if it was on the basis of capital stock and undivided profits it might work an injustice. I think that whatever the basis is it should be fixed in the bill.

Mr. PHELAN. I disagree with the gentleman, although at the beginning I had some doubts along that line. After working on the thing two or three days I came to the conclusion that it was better to leave the matter open and let the Federal Reserve Board, which has had much experience, work it out itself. In this Federal reserve system it is important to get flexibility, and if we make the law too rigid we are likely to handicap rather than to help.

Mr. BRIGGS. Will the gentleman yield?

Mr. PHELAN. Certainly.

Mr. BRIGGS. In the experience that the Federal Reserve Board has had with the Federal reserve banks, to what extent have borrowing banks in certain localities exceeded the limit of the normal borrowing privilege?

Mr. PHELAN. There has never been any excess, because there has never been any normal line of credit established. Under the Federal act as it stands it is not possible to establish a normal line, because when you establish a certain rate of interest on a particular class of paper you have got to keep the rate, no matter how much the particular bank borrows. I think I will explain to the gentleman in what I am about to say.

The purpose of the act is to give the Federal reserve system—the Federal reserve banks and the Federal Reserve Board in particular—a better control over the distribution of credits and a better control over the credits themselves. They are confronted with this situation to-day: Some banks will get rediscounts in a very large volume, and there is no way that the Federal reserve banks and the Federal Reserve Board can cut down credit to those banks except by shutting off altogether or raising the rate for everybody else as well as them. Take an



example. Suppose some bank has obtained a large line of credit from the Federal reserve system and used that credit in a way which is not for the best interests of the country as conditions are. Suppose the Federal reserve banks or the Federal Reserve Board wants to put some restraint on them. What can either do? It is possible to do either one of two things—either say to the banks, "You will get no more credit," and shut off abruptly, which may prove disastrous, or else say, "We have got to push up the rate of interest on you and everybody else at the same time, although the other banks may be using their credit in a proper way. If we shut off altogether on a particular number of banks, refusing to give them additional credit, it may prove ruinous to those banks, because if the public finds out that they can not get paper rediscounted it is likely to give the banks a bad name and bring trouble on them."

Under the bill we are now considering, if it becomes a law, the Federal reserve bank can say to a bank, "We want your bank to hold back, but if you want more credit you have to pay more. We will give you a certain amount at 6 per cent, but if you use more than that you must pay 6½ or 6¾ per cent." They can put the rate on without shutting off additional credit altogether.

Mr. JOHNSTON of New York. Will the gentleman yield?

Mr. PHELAN. I will.

Mr. JOHNSTON of New York. Would the Federal Reserve Board inquire of the bank as to the collateral on which it makes its loans?

Mr. PHELAN. Yes.

Mr. JOHNSTON of New York. Can they inquire whether the collateral represented some tangible real value, or can they inquire as to whether or not it is similar to collateral described in this morning's paper where the Stutz Motor Co. has a total value of assets, including good will, amounting to \$4,000,000, while the security value of the Stutz Motor Co. is represented by \$37,000,000?

Mr. PHELAN. The Federal reserve banks, as a matter of practice, require that the various kinds of paper which come to them from member banks shall be accompanied with a statement, and that in that statement shall be told the purpose for which the money or the credit obtained is used, or has been used, by the individual, partnership, or corporation which gets it. The Federal reserve bank, therefore, has that information on all of the paper that comes up to it. To get down to the Stutz Motor Co., I think I know the kind of transaction that the gentleman has in mind, and if I am correct paper of that kind can not be taken by Federal reserve banks under any conditions. If the note is all right, if the commercial paper is all right, it can be rediscounted by the Federal reserve bank. To be all right it has to be paper based on a commercial transaction. That means that the money or the credit obtained must be used in some commercial transaction such as the purchase of goods, the raising of agricultural products, the distribution of goods, but if that money is borrowed for stock-market purposes, if it is borrowed to carry loans, then that kind of paper is not rediscounted.

Mr. JOHNSTON of New York. Mr. Chairman, will the gentleman yield further right there?

Mr. PHELAN. I yield.

Mr. JOHNSTON of New York. I meant, as the gentleman suggested a moment ago, that the Federal Reserve Board will inquire for what purpose the money is to be used after it is obtained on a loan.

Mr. PHELAN. They inquire in a way. They do not exactly inquire, because they require that statement when the member banks come up to get the rediscount.

Mr. JOHNSTON of New York. All they require to know is what is to be done with the money after it is borrowed?

Mr. PHELAN. Either what is to be done or what has been done with it and any other information desired.

Mr. JOHNSTON of New York. They do not inquire as to the character of the collateral which I deposit when I obtain the loan?

Mr. PHELAN. They may, but that is not the important thing. That is the hard thing to explain about the Federal reserve act. Let me state the basis of the whole Federal reserve act, and if the gentleman can keep this in mind that act will clarify itself amazingly. It can not be kept in practice to the letter, but, in general, this is the basis of the Federal reserve act: The Federal reserve banks extend their credit, loan their money for productive and distributive purposes, and, outside of Government bonds and some other slight exceptions which are not important, all of the credit and all of the money that goes out of the Federal reserve system, speaking broadly and not holding to the letter, goes out for production and distribution. That is the basis of it all, and it is intended that no money and

no credit, with the exceptions mentioned, shall be distributed from the Federal reserve system for the carrying of stocks, for the carrying of commodities for speculative purposes, for the carrying of real estate, or anything of that kind.

Mr. BRIGGS. Mr. Chairman, will the gentleman yield?

Mr. PHELAN. In a moment. The theory of the Federal reserve act is this, that if the Federal reserve bank credit is extended and money loaned finally through the member banks to those who are going to produce something or sell something, then the person who is primarily liable on the commercial paper, through the very act of his manufacture, through the very act of his production, through the very act of his distribution, will get back the means whereby he can pay his obligation when it is due. The Federal reserve bank will then always be in good shape, because things are always moving; its assets are always liquid; but if at any time we permit to creep into the Federal reserve act any proposition whereby money can be loaned on real estate or on stock-market securities and a rediscount given to a Federal reserve bank, we are likely to face a situation where the Federal reserve banks may have good enough assets, but where they will be unable to meet their obligations when due. As I say, the whole principle is based on production and distribution. I yield to the gentleman from Texas.

Mr. BRIGGS. Has the gentleman any evidence of the extent of the use being made of these credits through this excessive borrowing and loans?

Mr. PHELAN. They are used in various ways.

Mr. BRIGGS. I mean whether they are used in speculation or along the lines suggested by the gentleman for legitimate purposes.

Mr. PHELAN. I will answer that as well as I can. Of course, the whole financial system of the country is a complex system. When the member banks go to the Federal reserve banks, leaving Government obligations out of it for a moment, and get their credit, they must furnish paper of the kind I have described—commercial paper.

The transaction is based on production and distribution, but when the member banks get that money or credit with whatever credit they have got, there is nothing to prevent their loaning the money on stock-market transactions, and if the Federal reserve banks give them too much credit, even though the credit is strictly in accordance with the Federal reserve act, they can, of course, sometimes extend credit for operations in the stock market. I will tell the gentleman how this bill is going to work, for that brings me right to the crux of the whole situation. Banks loan their money for productive purposes to people who want to produce something, to people who want to sell something. They also loan their money to men who want to engage in stock-market transactions, and they loan their money to men who want to carry big stocks of commodities for speculative purposes, and they loan their money for other things. We are putting in the hands of the Federal reserve banks and the Federal Reserve Board a power to put a brake on some place when they find conditions are getting bad, and conditions have been bad. They can say to the member banks, "We are going to graduate these rates. If you want something beyond a normal line of credit, you have to pay something extra for it." The minute they do that they send out a warning to every bank in the United States that credit is getting a little tight, or that money, as the term is used, is getting tighter, and immediately every wise banker, every wise board of directors, will say, "We better look after our own house and put it in order; we better watch out when they are pushing up the interest rates, for they may push them higher." What will the wise, prudent banker do when he gets that warning? He will look over his assets and loans and see what are the best. What will he determine? Will he say that stock-market collateral is the best? No, indeed; he will not. Will he say that a loan made to somebody to carry a big stock of leather or wool or something of that kind, hoping for a rising market, is the best kind of a transaction for his bank to engage in? No; he will not, because he knows if hard times come along, if some trouble arises, the thing that is going to be thrown on the market is stock-market collateral. He knows that when people start to economize, when they begin to stop their purchases of things, they are first going to stop the purchase of luxuries. If he is a prudent banker, he will determine that the safest thing for him to have his loans out on is the kind of transactions that are based on production and distribution of necessary things. In other words, when he has to cut down, the thing that he will try to keep in his portfolio will be commercial paper, the proceeds of which are being used for the production of necessary things.

Now, that means exactly—that is one of the purposes of this act, to permit the thing to be done gradually; gradually if danger threatens—there will be a reduction upon the amount of



loans that go out upon the stock market, there will be a reduction upon the amount of loans that go out in the purchase of luxuries, there will be a reduction in the loans made to carry commodities for speculative purposes.

Mr. HUSTED. Will the gentleman yield?

Mr. PHELAN. I will.

Mr. HUSTED. Does the gentleman contend, under the provisions of this bill, that the stock exchange loans can be controlled?

Mr. PHELAN. Can be controlled?

Mr. HUSTED. Under the provisions of this bill?

Mr. PHELAN. Well, I do not contend anything in particular can be controlled. I doubt if Congress—

Mr. HUSTED. Would it not be very easy to do it if we wanted to do it, and could there not be a provision that the Federal reserve banks would not rediscount to banks unless they had the statement that over and above a certain amount of money should not be loaned on stock exchange transactions?

Mr. PHELAN. We can pass such a law if we desire to do it, but I doubt very much the wisdom of passing a drastic bill.

Mr. HUSTED. The trouble about such a bill is you are going to hurt the legitimate part more than the speculative part, because the banks usually—I do not say all banks do it—but banks usually loan where they get the highest rate of interest, and they get that high rate of interest on stock exchange loans, and if any loans are going to be reduced they will be the commercial loans instead of the stock exchange loans.

Mr. PHELAN. I disagree with the gentleman, and I want to call his attention there so the record will be straight. I call attention again that no paper based upon stock market transactions, no paper the proceeds of which shall be used for stock market speculations can be rediscounted by the Federal reserve bank, so that under the power of the Federal Reserve Board and Federal reserve banks there is no question in the world that they can proceed at once to have some check upon speculation. But, to answer the gentleman again, I believe that that is all that the Government can do. When men stand upon the floor of this House or stand elsewhere and criticize either legislators or administrative officials I think they fail to realize what is at the base of the present condition. It would be impossible, as every one of us who stops to think knows, to do everything by legislation; and in my opinion in the present condition of affairs to-day it is impossible for us to do the biggest part of it. If we are going to have conditions right in this country, the people of this country ought to do it themselves, without waiting for the Congress, the President, the administrative officials, or anybody else. [Applause.]

And the future safety of our business conditions in this country lies in just two words, and those two words are "production" and "saving." [Applause.] If we are going to go through the next few years or probably the next decade, and get through without serious trouble, the people of this country have got to apply themselves to production; they have got to produce more and they have got to save more. If the people of the country will produce more and save more they will do themselves more good and the whole country more good than all the legislative bodies in the United States, including the Congress, can do. [Applause.]

Mr. GOODYKOONTZ. Will the gentleman yield?

Mr. PHELAN. I will.

Mr. GOODYKOONTZ. I want to call the gentleman's attention to the fact that a Member a while ago stated that in some instances national banks of this country had been able to borrow from the reserve system an amount of money which equaled the capital and reserve of that institution. Can the gentleman tell us whether that statement is correct; and if so, why the Federal reserve officials permitted that sort of thing to be done?

Mr. PHELAN. I will not say any particular bank has done that, because I do not know, but theoretically it is possible. The gentleman asks why the Federal Board has not stopped that. It is an extremely difficult position in which the Federal Reserve Board and banks are placed. If a member bank comes to a Federal reserve bank with commercial paper to discount, it is difficult to say that they will refuse it. If they do, it is likely to have a disastrous effect upon the bank, because people will say that if the bank can not get its paper rediscounted there must be something wrong with it. The only way to do it now is to put a check on it by raising the interest rate, and if they raise the rate of interest on one bank they have to raise the interest on the others. By this bill they can do that in reference to a particular bank on its excess credit, without subjecting the other banks to the penalty for normal. As I stated, the secret of our economical situation lies in greater production and greater saving, and this bill, I think, is the most effective piece

of legislation that has been suggested to help along that situation. I do not make any wild prediction of what might be done or will be done under the provisions of this bill, but I do say that it affords an effective means whereby the Federal system—whereby the member banks, the Federal reserve banks, and Federal Reserve Board joined together—can put a check upon expansion of credits and can do it without at the same time doing unnecessary injury to anybody.

Mr. HUSTED. Will the gentleman yield?

Mr. PHELAN. I will.

Mr. HUSTED. I agree absolutely with what the gentleman said about the real and only cure for existing evils lying chiefly with the people and consisting in greater production, greater thrift, and greater efficiency. I believe that the margin of speculation is a very great evil of the present day, and I believe it causes a large part of our troubles. I believe that can be cured to a great extent by legislation, but I do not think that this legislation accomplishes anything toward that end or will affect it at all. I would like to see the committee bring in some legislation that would do some good in that regard.

Mr. PHELAN. Well, that is one problem. But this legislation does give opportunity to curb unnecessary expansion of credits.

Mr. MADDEN. Will the gentleman yield?

Mr. PHELAN. I now yield to the gentleman.

Mr. MADDEN. The gentleman stated a moment ago, if I understood him correctly, that the passage of this act would place the Federal reserve banks in a position to prevent an over-discount of a particular bank by charging a higher rate of discount to that particular bank without affecting other banks.

Mr. PHELAN. That is not exactly my statement.

Mr. MADDEN. Well, that is the gist of it. Now, while we have the power to do that under this amendment to the law, what would prevent the banks that had not exercised the right which they might have for rediscount from making the loans to borrowers who had been refused by the banks because of the high rediscount rates, and thereby accomplish the very purpose which this bill is said to endeavor to avoid?

Mr. PHELAN. That is a very pertinent question. And in answer I will say to the gentleman that if those handling our financial situation, the Federal Reserve Board and the Federal reserve banks and a great many individuals outside, see that such a condition is taking place and see any danger in it or any evil in it, the situation can be met under this bill, just the same, by lowering the normal line of credit so that they will put a premium upon a larger amount of credit given. Or, if that fails to operate and they find that this undue expansion, for other than good economic purposes, did take place, they can raise the interest rate on everybody. The beauty of this bill is that it permits flexibility and elasticity. That was one of the things that was sought in the adoption of the Federal reserve act, namely, to give a certain flexibility to our financial system. This is a simple addition to that act, which will give opportunity for still greater flexibility.

Mr. RHODES. Will the gentleman permit a question?

Mr. PHELAN. Yes.

Mr. RHODES. I recall that the gentleman from New York [Mr. PLATT] stated at the outset of the debate that the chief object of this proposed legislation was to prevent the further expansion of credit, and I would like to know if, in the opinion of the gentleman, this object would be accomplished in the event this bill should be passed?

Mr. PHELAN. I will answer the gentleman. I do not want to say exactly that this bill has for its purpose the further curtailment of credit. Conditions may occur where we ought to have an expansion of credit. But to-day it seems that we ought not to have an expansion of credit. If I may add a word, I think a more accurate statement would be "to give a better control over credit," and if present-day conditions are such that we ought to stop further expansion, then this bill will give the opportunity for preventing the further expansion of credits. You asked me what I thought would take place?

Mr. RHODES. I asked you if you thought that the object stated by the chairman, the gentleman from New York [Mr. PLATT], would be accomplished by the passage of this bill?

Mr. PHELAN. Well, I hope that the purpose of the bill will be accomplished. I have confidence that the directors of the Federal reserve banks and the members of the Federal Reserve Board will use this power and other powers they have to get the situation back as soon as they can to normal. But I want to call this to the gentleman's attention: Much has been said about the inflation of our currency and that sort of thing. Why, it is the easiest thing in this world to deflate our currency and deflate our credits. All the Federal Reserve Board and Federal reserve banks would have to do would be to refuse to give out any more



Federal reserve notes; to call in some that are out; to raise their interest rates very much higher on the credits that are out, and you will get a deflation of your currency and credits that would absolutely amaze you.

But there is another side to this proposition. While it sounds very well to say that we ought to get a deflation, you must remember if you have got a big balloon inflated, and you prick a hole in it, it is going to collapse, and one of the difficulties of the present situation is that if they adopt too drastic methods to get deflation they will probably do more harm than good by those drastic methods. Now, what we hope is that with the power we have given them and with the power we are giving them the Federal Reserve Board and the Federal reserve banks, so far as lies in their power, will contribute to bringing back conditions to something like normal. But, again, I do not want to allow this to pass without saying that the Federal Reserve Board and all the Federal reserve banks and all the Government officials and all the Government agencies are utterly powerless to bring about a proper economic readjustment if the people themselves are not going to contribute and do their share.

Mr. RHODES. Well, could not that deflation of the currency to which the gentleman refers be accomplished under existing law without the necessity for passing this bill?

Mr. PHELAN. Yes, indeed; in some degree.

Mr. RHODES. I see that the report says that the board is undertaking to check the expansion of credit.

Mr. PHELAN. Yes.

Mr. RHODES. And the debate has not been directed to that proposition, but has been directed more to the question of conferring additional powers upon the Federal reserve banks to equalize the matter of increasing the rates of discount.

Mr. PHELAN. I tried to address myself to that question when I said that if this bill goes into operation the Federal reserve banks can gradually discourage the wrong kind of loans and gradually contract the credit that is now outstanding. I tried to explain that to the gentleman.

Mr. PLATT. Will the gentleman yield?

Mr. PHELAN. Yes; I will yield all my time if the gentleman wants it.

Mr. PLATT. Does the gentleman think this gives any power to the Federal reserve banks that the member banks do not possess among themselves?

Mr. PHELAN. In dealing with their own customers?

Mr. PLATT. In dealing with their own customers or dealing with each other.

Mr. PHELAN. Why, my recollection is that in a general way the member banks have exactly this power if they want to exercise it.

Mr. PLATT. The Federal reserve banks would have it if we put in the specific statement which seemed to imply that they have got it.

Mr. PHELAN. We have been careful of the Federal reserve banks and have put in provisions which would clearly indicate that we wanted no discrimination among member banks. Because of that the Federal Reserve Board, and I think very properly, feels if it permitted a graduated tax it might be against the spirit of what we originally intended.

Mr. McKEOWN. Will the gentleman yield for a question?

Mr. PHELAN. Yes.

Mr. McKEOWN. Under the present arrangement, or under the present law, if they undertook to put on this graduated tax it would have to apply to all, irrespective of the purpose of the loan?

Mr. PHELAN. Under the present law they can not graduate the tax.

Mr. McKEOWN. I understand.

Mr. PHELAN. If they have the 6 per cent rate on agricultural paper, they have got to give that 6 per cent rate to the bank that borrows \$100 or to the bank that borrows \$10,000,000, if some bank borrows \$10,000,000, or else they have got to stop the bank that borrows \$10,000,000 somewhere along the line and refuse to give it any more credit.

Mr. McKEOWN. The thing I am interested in is whether, on the passage of this act, the board would graduate the rate, and if that would be used to the detriment of the agricultural communities in the effort of the board to check speculation in some stock in some speculating center?

Mr. PHELAN. No; I think absolutely not.

Mr. McKEOWN. In other words, in the making of the rule applying to discounting banks in stock districts where they speculate in stocks, whether the effect on the graduation or limitation will not be used as a precedent to impair the borrowing capacity of an agricultural community?

Mr. PHELAN. The act with this amendment will give such flexibility that it will not act to harm agricultural production. In my opinion, if the act is in operation, if the Federal reserve banks endeavor to act under it, the effect will be to help the production of necessary things rather than to injure. That is one of the purposes; that is, to help throw our credit into the production of necessary things, which is one of the things that we all desire in order to bring down the present high cost of commodities and the present high cost of living.

The CHAIRMAN. The time of the gentleman from Massachusetts has expired. The Clerk will report the bill for amendment.

Mr. PLATT. Mr. Chairman, I yield three minutes, first, to the gentleman from Massachusetts [Mr. LUCE].

The CHAIRMAN. The gentleman from Massachusetts is recognized for three minutes.

Mr. LUCE. Mr. Chairman, in considering the details of this bill the broad aspects of the situation may not have been observed. Last Friday the Federal reserve ratio fell to 42.7, the same that it was on the 20th of February, and within a shade of the low level, 42.5, that it reached on the 27th of February and the 12th of March.

The situation in a nutshell is this: Last fall it was discovered that such an immense amount of money in this country was being used for speculating purposes that the greatest orgy of gambling that the world has ever known was in progress. It is true that the tulip speculation in Holland and the John Law speculation at the time of the Mississippi bubble may have been more intense, but in the aggregate of volume there never was such speculation in the history of mankind as is now on foot.

This has been in part made possible by the misuse of certain provisions of the Federal Reserve System. The system was intended for time of emergency, but it has been resorted to for speculation by stock gamblers, and the result is you are standing on the edge of a precipice. Your doctors are the Federal Reserve Board. They are the experts to whom we have intrusted authority in this matter. They started last summer to meet the situation by raising the rediscount rate. They say now, "We need more power." Let us not befog the real issue by disputing over details. The men that we must trust in this crisis tell us they need this power. If they can not be believed, who can be believed? For heaven's sake give them the opportunity to save us, if they can. [Applause.]

Mr. TINCHER. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. The time of the gentleman from Massachusetts has expired. The Clerk will read the bill for amendment.

The Clerk read as follows:

*Be it enacted, etc.,* That section 14 of the Federal reserve act as amended by the acts approved September 7, 1916, and June 21, 1917, be further amended by striking out the semicolon after the word "business" at the end of subparagraph (d) and insert in lieu thereof the following: "and which, subject to the approval, review, and determination of the Federal Reserve Board, may be graduated or progressed on the basis of the amount of the rediscount and discount accommodations extended by the Federal reserve bank to the borrowing bank."

Mr. PLATT. Mr. Chairman, I offer an amendment on page 1, line 10, after the word "the," to strike out the word "rediscount" and insert in lieu thereof the word "advances."

The CHAIRMAN. The gentleman from New York offers an amendment, which the Clerk will report.

The Clerk read as follows:

Amendment offered by Mr. PLATT: Page 1, line 10, after the word "the," strike out the word "rediscount" and insert the word "advances."

Mr. PLATT. Mr. Chairman, the purpose of that amendment is to make the bill read exactly the same as the Senate bill. We do not want to have the two bills read differently. This word "advances" covers a little that is possibly not covered in the word "rediscount." The banks borrow, for example, directly on 10-day notes, and I question whether the word "rediscount" covers that.

Mr. WINGO. Mr. Chairman, will the gentleman yield?

Mr. PLATT. Yes.

Mr. WINGO. The gentleman does not contend, does he, that this word "advances," as used in the Federal reserve act, means the same as the word "rediscount"?

Mr. PLATT. No; but—

Mr. WINGO. The gentleman is proposing to strike out the word "rediscount" and insert instead of it the word "advances." Certainly as a member of the committee I shall object to such a change as that without the committee considering what the effect will be.

Mr. PLATT. But the Senate committee—



Mr. WINGO. The gentleman knows that we have had to call the attention of the Senate committee repeatedly to errors in its bills. The word "rediscount" has a different meaning from the word "advances."

Mr. PLATT. The word "discount" means the same thing as the word "rediscount."

Mr. WINGO. Does the gentleman mean to say that the word "discount" means the same thing as "rediscount"?

Mr. PLATT. As applied to the Federal reserve banks, I do, which can not discount their own paper. They mean in that case exactly the same thing.

Mr. EVANS of Nebraska. Mr. Chairman, will the gentleman yield?

Mr. PLATT. Yes.

Mr. EVANS of Nebraska. Would not the end you have in mind be attained by inserting the word "advances"?

Mr. PLATT. It would be; and it would be better to have it read exactly as the Senate bill reads instead of having to pass it two or three times.

Mr. MADDEN. What objection is there to having this bill go to conference?

Mr. PLATT. It is a short bill, and a conference seems unnecessary. That matter was discussed, and the Senate bill was written somewhat differently because of the fact that the word "advances" covers something that the word "rediscount" does not cover, and it needs to be covered. The gentleman from Massachusetts [Mr. PHELAN] can explain that.

Mr. PHELAN. Yes; if the gentleman will yield to me just a minute.

Mr. PLATT. I yield to the gentleman.

Mr. MADDEN. The gentleman can not yield his time. I rise in opposition to the amendment.

The CHAIRMAN. The gentleman from Illinois is recognized.

Mr. MADDEN. While I am talking against this amendment I want to talk generally against the bill. I did not get a chance to do it during the debate allowed for that purpose.

My judgment is that this amendment ought not to be adopted. In the first place, under the law as it now exists, wherever a discount rate is made by the Federal reserve bank it must be made to all banks alike within the region on similar paper. If this amendment is adopted, it will give to the Federal reserve banks and the Federal Reserve Board the power to make regulations under which they will have the right to say that any given bank within a region, that may have exceeded the limit fixed by them for rediscounts, and that wishes to rediscount more than the limit fixed, must pay a higher discount rate; and it is said by the committee that this proposal is made for the purpose of enabling the Federal reserve banks or the Federal Reserve Board, or both combined, to restrict credits and thereby bring back normal conditions. They say further that the reason why it is proposed to do this is that some particular bank in a given region may have rediscounted more than its proportion of the paper that has been rediscounted within the region, and that other banks have been discriminated against by reason of the fact that they have not exercised the power they might have exercised by calling for rediscounts in order that circulation might be granted to them and that they might thereby be enabled to make additional loans to their customers. But suppose that this amendment to the law is passed and that the right is granted under the law to make the regulations proposed, and that the power is exercised by the Federal reserve banks and the Federal Reserve Board, which will give them the right to say to any bank or to all banks within a region that they shall have what they have not got now, a fixed limit within which they shall have the right to rediscount their paper, but that when they have reached that limit there shall be charged to them an additional rate of interest on any excess over the limit fixed. Now, we will assume that there are 900 banks in a region and that only one of the 900 banks has reached the limit, and that it is the only bank in the region that seeks to rediscount in excess of the limit fixed, and the Federal Reserve Board exercises its power under the regulations to charge an extra discount rate in order to prevent this bank from making additional loans, the purpose being, of course, to contract credits. Is there anything to stop the other 899 banks, which have not anywhere near approached the limit of their authority to rediscount, from making the loan to the borrower, or from rediscounting their paper in the Federal reserve bank? You have not reached the trouble here. You have not reached the cause at all. Instead of giving the Federal board the power to contract credits you have opened the way for borrowers everywhere within the region to go to the banks with whom they have not been doing business at all and to borrow to a greater limit than they have had the power

to borrow from the bank with which they have been doing business and whose officers know their standing.

Mr. PLATT. Will the gentleman yield?

Mr. MADDEN. Yes.

Mr. PLATT. They could do that now. Any man can go from one bank to another and borrow, if he can get the other bank to loan to him.

Mr. MADDEN. I know he can; but you are pretending to say to us that you are prohibiting that sort of thing by giving the Federal Reserve Board the power to fix a rate which will prevent additional loans. Now you have not done it.

Mr. PLATT. We are trying to prevent the big banks from hogging all the credit and not letting the little banks have any. [Applause.]

Mr. MADDEN. You have not done that.

The CHAIRMAN. The time of the gentleman has expired.

Mr. MADDEN. I ask unanimous consent for five additional minutes.

The CHAIRMAN. The gentleman from Illinois asks unanimous consent that his time be extended five minutes. Is there objection?

There was no objection.

Mr. MADDEN. You have not done that. You pretend that if this bill is passed it will curtail credits, that it will limit loans, that it will contract the currency, that it will help to bring back normal conditions, that it will prevent inflation; but it does not do it. It does just one thing. It places it in the power of the Federal Reserve Board, through the Federal reserve banks, to exercise the right to discriminate against any bank within the region.

Now, what happens to-day? When the Federal Reserve Board fixes the discount rate it must fix it on a uniform basis within the region on paper of like character. You are saying to the Federal Reserve Board that within any region in the United States they may fix one rate for one bank and quite another rate for another bank; and who can say that the Federal Reserve Board will not bring politics into the operation of their action? I fear that they will and that this is one of the most dangerous laws that we could put upon the statute books on this subject.

Mr. HUSTED. In connection with what the gentleman is saying I want to call attention to the fact—and I think it is very important—that absolutely no basis for fixing this discriminating rate is named in this bill. It is left entirely to the discretion of the board, and they can change that from time to time and throw the whole system into confusion.

Mr. MADDEN. That is just what I am trying to say, that to-day the discount rate must be made under the law, and it must be made uniform; but if this bill is enacted into law it will be at the whim of the Federal Reserve Board to-morrow.

Mr. PHELAN. I want to call the attention of the gentleman to lines 9 to 11, inclusive:

May be graduated or progressed on the basis of the amount of the rediscount and discount accommodations extended by the Federal reserve bank to the borrowing bank.

It will have to be taken as a basis and a standard set.

Mr. MADDEN. To-day the Federal board has no power to say what rediscounts shall be accepted; it has the power to refuse discounts, but it can not by regulation say to a bank within a region your limit of rediscount shall be so much. Under this bill they will be able to say to you your credit for rediscount shall be \$1,000,000 and to another banker in the same region your limit shall be \$500,000. They will have the power to do it, and to-day they have not the power.

Mr. PHELAN. They have a very much larger power when they can say you shall not have any credit at all.

Mr. MADDEN. They still have the power to say you shall not have any credit; but when you place in the power of human agency the financial interests of the United States, when you put in the hands of an agency the power to say that you can have a certain amount of discount and to another you can only have so much discount, you have placed the financial conditions of the country in a state of chaos.

Mr. PLATT. Does not the gentleman see that what we are trying to do is to make it so that it shall not be so drastic. They have the power now to shut off absolutely any rediscount.

Mr. MADDEN. The gentleman does not have to tell me that.

Mr. PLATT. We want them to ease up a little.

Mr. MADDEN. You want to fix it so that they can play favorites.

Mr. PLATT. The power they have to-day is fraught with danger.

Mr. MADDEN. The gentleman says the law to-day is dangerous, and yet he is willing to repeal the law by amendment,



so as to place it in the power of the Federal Reserve Board to make its own law, which need not be uniform. If this bill passes, you are giving the Federal Reserve Board the power to make regulations, and the regulations can be made according to the whim of the Federal Reserve Board.

Mr. PHELAN. Mr. Chairman, I move to strike out the last word. The amendment offered by the gentleman from New York [Mr. PLATT], while not essential, is a good one. The words in the bill as it now stands, "rediscount and discount," I believe, cover every transaction which it was intended should be covered, but for the sake of uniformity of language and phraseology of the act I think it is well to adopt the amendment offered by the gentleman from New York. The transactions covered in section 13 of the Federal reserve act and possibly in section 14 are transactions whereby a member bank takes the paper to the Federal reserve bank and gets it discounted. We are in the habit of calling that a rediscount. The word "rediscount" in the bill would cover that transaction. There is another transaction which takes place under the reserve act, where a member bank comes to the Federal reserve bank and asks to secure credit on funds on its own credit. That would be a discount.

Under section 13 of the act, what we refer to familiarly as the rediscount operation, is referred to in the language of the act by the word "discount." So when we use the word "discount" in the amendment offered by the gentleman from New York there is no doubt in the world but what we cover rediscount operations. That is the ordinary transaction where a member bank comes to the Federal reserve bank and tenders somebody's paper for rediscount purposes. The word in the act is "discount."

Further along where we make provision whereby a member bank can secure accommodation on its own obligation we have used in the Federal act the word "advance." So in the act itself we find the words "discount and advances" just as they are incorporated in the amendment of the gentleman from New York.

Since there is no doubt in the world that they cover every contraction that can arise in transactions under sections 13 and 14, I think it is better to adopt the amendment of the gentleman from New York.

Mr. WINGO. Will the gentleman yield?

Mr. PHELAN. Yes.

Mr. WINGO. I want to call the gentleman's attention to the fact that he is in error as to the wording of the present act and in error as to the legal proposition. The words discount and rediscount occur in the original act. The word rediscount is where a member bank takes one of its customer's notes to the Federal reserve bank and rediscounts that piece of paper. That is a rediscount. The discount operation is where the bank goes to the Federal reserve bank and discounts its own note.

Mr. PHELAN. Just a minute; the gentleman does not want to take up all my time. I do not want to cut into the gentleman, but I want to conserve my time. I will explain what the gentleman wants.

Mr. WINGO. How can the gentleman explain when I have not finished my question?

Mr. PHELAN. Let me read from the Federal reserve act, on page 27:

At all events, the word discount covers the rediscount.

The CHAIRMAN. The time of the gentleman from Massachusetts has expired.

Mr. TINCHER. Mr. Chairman, I move to strike out the last two words. Mr. Chairman, as I understand the amendment to the bill, the gentleman from Massachusetts [Mr. LUCE] was the most elucidating speaker on the subject. We are suffering from financial trouble and it is the theory of the Banking and Currency Committee that the only doctor we can get is the Federal Reserve Board. They not only have general powers, they have the power of discrimination, whether they will loan their money or rediscount paper; but they want to be the doctor of the world, including the United States, and want additional power to discriminate between banks in different sections of the country as to the rate of interest they will charge. The very object of the organization of the Federal reserve banks was to make a uniform credit system. I am not surprised at the gentleman from New York and the gentleman from Massachusetts being unanimous on this bill, regardless of party, because it will defeat the very purpose for which the Federal reserve act was created—the purpose by which my section of the country profits and the only purpose by which it profits.

Mr. PLATT. Mr. Chairman, will the gentleman yield?

Mr. TINCHER. I could not get anyone to yield to me, even to ask a question.

Mr. PLATT. The gentleman does not want to be wrong about this?

Mr. TINCHER. I will ask the chairman of the committee whether I am wrong in stating that this bill will give the Federal Reserve Board the power to discriminate between banks as to rates of discount.

Mr. PLATT. Yes; the gentleman is wrong in that statement alone.

Mr. TINCHER. Does it give them that power? It says so.

Mr. PLATT. It makes a uniform rule.

Mr. TINCHER. And the gentleman from Massachusetts [Mr. LUCE] advocated that as a remedy for our financial trouble. For instance, he advocated charging the people from the West, as you used to do, 8 per cent, and the people from New York 4 per cent, instead of all of them 6 per cent.

Mr. PLATT. The gentleman is wrong there.

Mr. TINCHER. It looks to me as if the Federal Reserve Board is simply trying to put something over.

Mr. LUCE. Mr. Chairman, will the gentleman yield?

Mr. TINCHER. Yes.

Mr. LUCE. Does not the gentleman know that discrimination between sections is in existence to-day?

Mr. TINCHER. I know it is, but they can not discriminate between banks as to the rate of interest. They can not pick out a pet and discriminate on the rate of interest, and I tell you that the practical business men of this country would not stand for this legislation if they knew what it is. You have not had any hearings. The only people you have heard is the Federal Reserve Board, and they have come down here and convinced you that they are the proper doctor and that this medicine is good for the country. You have not heard a witness from the business world who advocated this treatment, and I would like to know more about the qualifications of the doctor.

Mr. LUCE. May I explain to the gentleman that under the Federal Reserve System ever since it has been in existence it has been possible for different rates of discount to be charged in different parts of the country. I understand that in Minneapolis to-day the rate is lower than it is in New York. The gentleman charges me with saying that I wanted discrimination as between sections. It already exists under the law.

Mr. TINCHER. The board to-day has no right to discriminate between banks on the rate of interest. When you give them that right you destroy the fundamental idea of the organization of the Federal Reserve System.

Mr. LUCE. This law gives no power whatever to discriminate as between banks.

Mr. TINCHER. This bill says it gives them the power. According to the proposed amendment, rates—

Subject to the approval, review, and determination of the Federal Reserve Board, may be graduated or progressed on the basis of the amount of the rediscount and discount accommodations extended by the Federal reserve bank to the borrowing banks.

And I heard the gentleman's argument, and it was for a discrimination in rates, to shut off a certain line of credit that ought not to be extended to any bank, and then I heard the gentleman from New York [Mr. PLATT], the chairman of the committee, say that already under the law the Federal Reserve Board has the right to deny any bank the credit it wanted, and so I was bound to arrive at the conclusion that the only object of this legislation is to permit them to discriminate on rates, and if that is the object of it, I am against it.

Mr. PLATT. The gentleman does not understand it, that is all.

Mr. TINCHER. What is the object of it?

Mr. PLATT. There is no discrimination in it; they have to make uniform rules to apply to all banks.

Mr. TINCHER. Let us get this into the Record. As chairman of this committee the gentleman says that if this bill passes the rates must be uniform, and that they can not discriminate as to rates of discount. Is that right?

Mr. PLATT. In any one section.

Mr. TINCHER. What does the gentleman mean by "any one section"? They can pick out one bank and give it a discount of 8 per cent and pick out another and give it a rate of 6 per cent?

Mr. PLATT. Oh, no; they can not do anything of the kind.

Mr. MADDEN. Yes; they can.

The CHAIRMAN. The time of the gentleman from Kansas has expired.

Mr. TINCHER. The bill says that, and that is all that I know about it.

Mr. PLATT. If the gentleman wants to be wrong, there is no use in trying to explain this to the gentleman.



Mr. WINGO. Mr. Chairman, on the proposition of the amendment offered by the gentleman from New York [Mr. PLATT] I want to submit this to the committee. I may be wrong about it, but under the law, as understood by banks, a discount operation is an original operation. That is the way it is used in the Federal reserve act. That is, if a member bank runs short of funds, but does not care to take up any of its customers' paper, it can go up and get advances in the nature of discounts. The word "advances" and the word "discount" are used interchangeably in the act. The law authorizes a bank to give advances to a member bank on its own note. That is discounting a note of a member bank. If a member bank wants a rediscount, it takes a piece of paper it already has in its portfolio, a piece of paper that it has discounted for one of its customers, and takes that to the Federal reserve bank and rediscounts it.

The word "rediscount" and the word "discount" are separate things in the law, and they are used separately, but the word "advances" and the word "discount" are used interchangeably in the act, so that I think instead of cutting out the word "rediscount" the gentleman should cut out the word "discount" and put in the word "advances." I think that would be proper. He would cut out rediscounts entirely from the act if he substituted the word "advances" for the word "rediscount."

I had not intended to say much about this act. Gentlemen are unnecessarily alarmed about it. I want to offer this suggestion to the members of the committee. In my opinion, the Federal Reserve Board already has all of the power that this amendment will give to it. I think they feel so, although I have not consulted them about it, but the Federal Reserve Board has been cautious in not assuming authority that is not given to it by explicit legislation.

That is one thing those of us who are associated with the board and who have watched its operation have noticed, and that is that they are not trying to extend their power by implication. They have the power now and have the right to discount in one region different from another. They have the power, and Congress gave it to them, of making a different rate on commercial paper and a different rate on agricultural paper, and they exercise that power. Here is one thing proposed to be done by this amendment. It is not exactly like what I wanted to get. They say, for instance, they want to say to banks, "You shall have a line of credit in an amount equal to your capital stock and surplus." That is the old law before the Federal reserve act was enacted, and those of you who were here when the law was enacted will remember that I fought to have that limitation on the Federal reserve act, because I apprehended you would have inflation. We say that if you have the power to say that the rediscount of any member bank can be limited to the amount of capital stock and surplus we will put you back to the old limitations you had under the law before we passed the Federal reserve act. Now, they will say, "If you want to go beyond that, you must pay a premium for an additional line of credit." That is not new in the banking world. Under the private banking system, as I happen to know to my personal knowledge, at least one bank in St. Louis would say to a country bank of Arkansas, "We will give you a line of credit up to a certain amount, and we will give you an additional line of credit in an additional amount at an additional rate." That is nothing new in the banking world, and this bill proposes explicitly and expressly to give the Federal Reserve Board the right to do that. I think they ought to do that just as was the custom in private banking operations. It will enable them to put a check upon inflation of credits and not expansion of credits. Now, that is all there is to it, and there is nothing for anybody to have a fit about, because I am afraid it will not have any effect at all.

I am afraid it is a milk and water proposition that will not help the situation. I will be frank. I do not think there is much to it, and if I had my way this committee would report out a bill saying no bank in this country could have a line of credit from the Federal reserve bank in an amount exceeding the amount of its capital stock and surplus. The bankers of this country, some of them, have got the idea that the Congress and the Federal Reserve Board are responsible for inflation. The inflation of this country at the present time is an inflation of credit. Every bit of inflation of the Federal reserve notes is predicated upon an inflation of credit, and the bankers of this country are responsible for the inflation of their credit.

The CHAIRMAN. The time of the gentleman has expired.

Mr. WINGO. I ask for five additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Arkansas? [After a pause.] The Chair hears none.

Mr. WINGO. A man goes to his local banker and says, "I want \$10,000 with which to enlarge my plant, or I want to buy a little oil stock." Take the latter illustration. He says, "I can not let you have it." He says, "You can go to the Federal reserve bank and rediscount my note." "No, they would call that speculative security." Then he would say, "You have got my neighbor's note for \$10,000 in your portfolio; you can go and get that rediscounted." He is a good customer of the bank, so the banker says, "All right," and takes it to the Federal reserve bank. What does the Federal reserve bank do? It does not want to deny what in its opinion is a proper line of credit, so in practice as a matter of fact they pass the buck on one to the other. That is the kind of condition that has existed, and, as I said, under the present law, without any limitation, a bank with a capital stock of \$100,000 got over \$1,000,000 in rediscounts from a Federal reserve bank, and, be it said to the credit of the Federal Reserve Board, it was called down.

Mr. GOODYKOONTZ. Will the gentleman yield?

Mr. WINGO. I will.

Mr. GOODYKOONTZ. In view of the fact of what the gentleman stated, has the central board called on the bank and forced it to withdraw?

Mr. WINGO. No; it did not force it, but just simply said that it was reprehensible and should not be permitted.

Mr. GOODYKOONTZ. I would like, so as to have it go in the Record, for the gentleman to give the name of the reserve bank.

Mr. WINGO. I am not going to do that. I did not ask the name of that bank of the Federal Reserve Board, and I am not going to do so.

Mr. MANN of Illinois. Mr. Chairman, I do not profess to know much about banking or currency. I am not sure that I fully understand this bill, or I think I do understand it, but if I am in error I would like to be corrected. It is based on the assumption, first, there is now or may be in the near future or the far future too much credit currency and circulation, and that the Federal Reserve Board wishes to or ought to have the power to curtail somewhat the issuance of new volumes of currency based upon credit—

Mr. PHELAN. Will the gentleman yield for just a second?

Mr. MANN of Illinois. Not until I make my statement.

That now the Federal Reserve Board has the power, if it desires to exercise it, to refuse to any particular bank new currency for discount or rediscount, or advances, or whatever they are called, but that it does not desire to exercise that power as to individual banks, because the refusal of the Federal reserve bank to discount good paper in the notes of the bank, if it becomes known, might seriously injure the credit of the bank and possibly cause a run on it; that the only way the Federal Reserve Board can control the situation as it exists to-day is by increasing the rediscount rate, all banks in the same district obtaining the same rate upon the same paper; that if it increases the rediscount rate, that means the rate of interest goes up in that entire Federal district, and that in order to avoid the increasing of the rediscount rate on all the paper that is presented to the bank the board desires the power to increase the rediscount rate under regulations where banks are borrowing too much money under their rules. A bank may properly borrow, say, \$100,000 or \$1,000,000, or I do not know how much more, on the rate that is universal in the district for all banks, but when the bank has pyramided its credit and seeks to get a much larger line of discount from the Federal reserve bank of the district than normally they would be entitled to, they want to be able to say, in order to curb the desire of the bank, "If you want such a large credit, you must pay an additional rate of interest for the excess over the amount that banks are rediscounting here." Is that a fair statement, I will ask the gentleman?

Mr. PLATT. I think that is a very fair and a very clear statement.

Mr. MANN of Illinois. Well, if that is correct, I can see no possible objection to the passage of the bill. It seems to me that the tendency of the bill should be to keep down the interest rates to a certain amount of credit rather than to increase the interest rates on all the credits extended. If the Federal Reserve Board is convinced that there is too much asset currency in the country—and whether they are or not, I am convinced there is too much; I think that is one of the causes of the high cost of living—and they desire to hold it down when speculation becomes rampant in every direction, then they ought to have the power to give the ordinary rate of discount to the ordinary bank for the ordinary amount of money which the bank ought to rediscount and a much higher rate for the excess. That is not a punishment to the man in business. That is a protection to the



ordinary man in business who is borrowing money ordinarily from the banks, because it keeps his interest rate down. [Applause.]

Mr. STEVENSON. Mr. Chairman, I move to strike out the last three words.

I just wanted to make one or two statements and direct the attention of the gentleman from Kansas [Mr. TINCER] to the misconception which he had of this measure. Since the splendid statement just made by the gentleman from Illinois [Mr. MANN] I do not think anybody needs any more light on the intention of it. But the gentleman from Kansas fell under the misapprehension that this was increasing the powers of the Federal Reserve Board. That is not what it does. It is increasing the powers of the directors of the Federal reserve bank in the gentleman's region and in all the other regions. It is giving them the power to say to their customers, to the member banks, "Now, a legitimate line of credit is, say, 100 per cent of your capital and surplus, and you are all going to get the minimum rate up to that, but if you go above that you are getting more than your share, and the law says that in making loans to the member banks we must have due regard to the rights of all the other member banks." Manifestly, if the Kansas City bank, where it is about to exceed in its Federal reserve notes its gold reserve, has got to stop, and if a dozen banks have borrowed all it has up to that time, the other banks get nothing. And yet for what little the others do get they have got to pay as high a rate as the fellow who gets a monopoly. Now, the purpose of the bill is to give the directors of that bank the right to regulate that, of course to be approved by the Federal Reserve Board.

Now, the gentleman from Kansas [Mr. TINCER] speaks of discrimination. That is not discrimination. Whenever all those who conduct themselves in a certain way get exactly the same treatment and the same rate they are not discriminated against at all. There is no discrimination there.

I wish to call the attention of the gentleman from Kansas to another thing and then I shall be through. Of the agricultural paper carried on the 30th of last January in the United States in all the Federal reserve banks 75 per cent was carried in the Kansas City and Chicago banks, and on that date, because of the excessive loans in the New York district, the rate of discount was raised all over the United States, and the gentleman's farmers out there had to go up to 6 per cent, whereas they were getting their money before that at 4½ per cent; and it was raised, not because they were borrowing more than was necessary but because some other fellows somewhere else were borrowing more than was necessary, and it was a discrimination against them to make them pay a higher rate because of the fault of somebody else. This is a proposition to prevent that discrimination.

Then you know by whom the directors of the Federal reserve banks are chosen. The directors are given power. They are selected by the bankers in your own region. Of course, the majority of them are selected by the banks in that region, and you know they would not stand for anything that is discriminatory on the part of that board.

Mr. TINCER. I understand the gentleman is on the committee and is entirely familiar with the entire situation, and that he contends this legislation is in the interest of the borrowing farmers of my section of the country.

Mr. STEVENSON. Yes; and it is in the interest of the borrowing farmers in my section of the country. I was down there a short while ago, when the farmers were making their arrangements, and they are borrowing their money now on the basis that the banks are to have to pay the Federal Reserve Board 6 per cent, and if we do not do something to prevent them from having to borrow on that basis, because of the borrowing of too much money in another district, we are recreant to the interests of our constituents, who are not being protected in that matter. [Applause.]

The CHAIRMAN. The time of the gentleman from South Carolina has expired.

Mr. STEVENSON. Mr. Chairman, I withdraw the pro forma amendment.

The CHAIRMAN. The pro forma amendment is withdrawn. The question is on agreeing to the amendment offered by the gentleman from New York [Mr. PLATT].

The amendment was agreed to.

Mr. PLATT. Mr. Chairman, if there is no further debate desired, I move that the committee rise and report the bill to the House with the amendments, with the recommendation that the amendments be agreed to and that the bill as amended do pass.

The CHAIRMAN. The gentleman from New York moves that the committee do now rise and report the bill with sundry amendments to the House, with the recommendation that the amend-

ments be agreed to and that the bill as amended do pass. The question is on agreeing to that motion.

The motion was agreed to.

Accordingly the committee rose; and the Speaker having resumed the chair, Mr. SANFORD, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee, having had under consideration the bill (H. R. 12711) to amend the act approved December 23, 1913, known as the Federal reserve act, had directed him to report back the bill with sundry amendments, with the recommendation that the amendments be agreed to and that the bill as amended do pass.

Mr. PLATT. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on agreeing to the amendments.

The question was taken, and the Speaker announced that the ayes appeared to have it.

Mr. WINGO. Mr. Speaker, I ask for a division.

The SPEAKER. The gentleman from Arkansas demands a division.

The House divided; and there were—ayes 68, noes 8.

So the amendments were agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill as amended.

The bill as amended was ordered to be engrossed and read a third time, was read the third time, and passed.

On motion of Mr. PLATT, a motion to reconsider the vote whereby the bill was passed was laid on the table.

#### EXTENDING FEDERAL FARM-LOAN ACT TO PORTO RICO.

Mr. PLATT. Mr. Speaker, I call up the bill H. R. 8038.

The SPEAKER. The gentleman from New York calls up the bill H. R. 8038. The Clerk will report it by title.

The Clerk read as follows:

A bill (H. R. 8038) to amend section 4 of the act approved July 17, 1916, known as the Federal farm-loan act, extending its provisions to Porto Rico.

The SPEAKER. This bill is on the Union Calendar. The House automatically resolves itself into Committee of the Whole House on the state of the Union, and the gentleman from Kansas [Mr. CAMPBELL] will please take the chair.

Thereupon the House resolved itself into Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 8038) to amend section 4 of the act approved July 17, 1916, known as the Federal farm-loan act, extending its provisions to Porto Rico, with Mr. CAMPBELL of Kansas in the chair.

The CHAIRMAN. The House is in Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 8038, which the Clerk will report.

The Clerk read as follows:

Be it enacted, etc., That paragraph 2 of section 4 of the act approved July 17, 1916, known as the Federal farm-loan act, be amended to read as follows:

"The Federal Farm Loan Board shall establish in each Federal land bank district a Federal land bank, with its principal office located in such city within the district as said board shall designate. Each Federal land bank shall include in its title the name of the city in which it is located. Subject to the approval of the Federal Farm Loan Board, any Federal land bank may establish branches within the land bank district. Subject to the approval of the Federal Farm Loan Board and under such conditions as it may prescribe, the provisions of this act are extended to the island of Porto Rico; and the Federal Land Bank of Springfield, Mass., is hereby authorized to establish a branch bank at such point as the Federal Farm Loan Board may designate on the island of Porto Rico. Loans made by such branch of the Federal Land Bank of Springfield, when so established, shall be subject to the restrictions and provisions of this act, except that such branch bank may loan direct to borrowers, and that the rate charged borrowers may be 1½ per centum in excess of the rate borne by the last preceding issue of farm-loan bonds of the Federal Land Bank of Springfield.

"Each borrower through such branch bank shall subscribe and pay for stock in the Federal Land Bank of Springfield in the sum of \$5 for each \$100 or fraction thereof borrowed; such stock shall be held by the Federal Land Bank of Springfield as collateral security for the loan of the borrower; shall participate in all dividends; and upon full payment of the loan shall be canceled at par proceeds paid to borrower, or the borrower may apply the same to the final payments on his loan."

With committee amendments as follows:

Page 2, line 10, after the word "established," insert the words "shall not exceed the sum of \$5,000 to any one borrower and."

Page 2, line 16, after the word "Springfield," strike out the period, insert a colon and the following: "Provided, however, That no loans shall be made in the island of Porto Rico to run for a longer term than 20 years."

Mr. PLATT. Mr. Chairman, I do not mean to take much time to start with on this bill. The report explains it, and it explains itself. It is a bill to extend the benefits of the Federal Farm Loan System to the island of Porto Rico under certain limitations.

In the first place, the rate of interest may be 1½ per cent in excess of the rate borne by the last preceding bond issue from



the Federal land banks of Springfield; that is, one-half per cent more than the law requires or provides for in the States. Then we have limited the loans to \$5,000 to each person, and have provided that no loan shall run for more than 20 years.

I do not know that these limitations were necessary. The island of Porto Rico is densely populated and well cultivated and has a good deal of good farming land, but the committee thought it was wise to put in these limitations for two reasons.

In the first place, the matter is a little new and the sort of agriculture pursued in the island of Porto Rico is quite different from that in the United States. The lands are different. Most of the loans, we expect, are likely to be taken apparently by coffee plantations.

The second reason was that the limit of \$5,000 on loans will apparently cover all the necessities of the case. There are a great number of small holdings on these islands and a few very large holdings, sugar plantations, and so forth, which are not affected by this at all because they can get credit outside and would have no use for this system.

We have extended the act to Porto Rico through the establishment of a branch bank connected with the Federal land bank at Springfield, Mass., which is the eastern Federal land bank. That is chosen because Porto Rico naturally comes into contact with New York City, through the fact that the steamers from the island mostly run to New York City.

With this preliminary statement I will yield 15 minutes to the gentleman from Porto Rico [Mr. DAVILA].

Mr. MORGAN. Will the gentleman yield for a question or two?

Mr. PLATT. I reserve the remainder of my time.

The CHAIRMAN. The gentleman from Porto Rico [Mr. DAVILA] is recognized for 15 minutes.

Mr. DAVILA. Mr. Chairman, this is a bill to amend section 4 of the act known as the Federal farm-loan act, extending its provision to the island of Porto Rico. This law has been in force in the United States since 1917, and the great benefit derived by the farmers under its protection is the best commendation that can be made of said act. The people of Porto Rico are in extreme need of this legislation, and if this bill becomes a law you will help the island to develop its agricultural resources, will raise the farmers to a higher economic standard, and will contribute to create a new type of citizen useful to his country and independent from an economic point of view.

It is one of the anomalies of recent legislation conferring Federal supervision upon such subjects as vocational education and the extension of financial aid to small farmers that none of these benefits have been extended to the people living in the insular possessions. And, of all the insular people, the inhabitants of Porto Rico are in far greater need of the benefits that will accrue to the small farmers from the passage of this legislation than any other.

I think I can make this clear in a few words and without the slightest trace of rivalry. Let us consider our insular possessions, the Philippines and the Hawaiian Islands. The first were acquired by the United States at the same time as Porto Rico; it is the avowed policy of one of the great political parties, or, rather of the two great political parties, of this country to ultimately admit these islands into the family of nations. They are in better condition than Porto Rico from an economical point of view and have shipping facilities, good markets, and natural resources which will contribute largely to develop the progress of the country.

Let us consider the Hawaiian Islands. There is now pending before Congress and will within a few days be up for the consideration of this House a measure for the relief of the small Hawaiian farmers. In that legislation you deal with them in the same generous fashion in which you have in past dealt with the American Indians here in continental United States. In addition to the homesteads that are opened up to small farmers from time to time, it is proposed to immediately withdraw approximately 200,000 acres of land and to settle upon this land every Hawaiian family of no less than one thirty-second part of the blood of the races inhabiting the Hawaiian Islands previous to the discovery by Capt. Cook.

While much of this domain consists of lava rock which will test the agility of a goat to find subsistence, yet a sufficient area of agricultural lands is included to insure to every Hawaiian family a homestead. It is also provided that they shall never be disturbed in the possession of their homes by vesting the title in the United States, exacting a nominal rental from the lessee of \$1 per year for the entire tract, and stipulating that it can never be sold or otherwise disposed of to corporations or the predatory interests that prey upon dependent people.

With this legislation the Hawaiians will never have to come here and plead with the American Congress for the extension of

the farm loan act to their small farmers, for not only do you forever protect them from the tender mercies of rent-racking landlords but you provide a special fund that will afford them all the cash loans that might otherwise be provided by the extension of this farm loan legislation.

Instead of opening up the highly developed cane lands to homesteading or for the purpose of the Hawaiian Homes Commission, it is proposed that these lands, which as a class are the most productive and remunerative of any agricultural lands anywhere on earth, shall continue to be leased out under the existing plantation system. The proceeds are to be converted into a million dollar home loan fund, from which the commission is authorized to loan to any Hawaiian lessee a sum not exceeding \$3,000 at 5 per cent interest to be extinguished in 30 years. It is intended that this plan will enable the small Hawaiian farmers to erect and purchase the necessary buildings, implements, and live stock with which to begin the battle of life. Mr. Chairman, I wish to say right here, on behalf of the Porto Rican people, that we do not begrudge the inhabitants of the Hawaiian Islands any of the benefits of this legislation. They are entitled to these benefits, they have sufficient land to make these reservations to the natives, and you are merely doing justice to them granting these concessions to the needy people of those islands. [Applause.] But our conditions are different from those of the Hawaiian, and, of course, you have to help in a different way the people of Porto Rico. The difference of chief importance lies in the density of population, which is not the case in Hawaii. Here in the continental United States you are not yet crowded for land upon which to grow the food necessary to your existence. There is still enough for every man to acquire a freehold if he hears the call and has a yearning to return to the soil.

But, gentlemen, consider the conditions in Porto Rico! You have there a little island of 3,606 square miles, including mountain and ravine, and a population of 1,300,000. They have only about \$4,000,000 in circulation in the island, and they have thirteen hundred thousand people. They have less than \$4 per capita of circulation, while in the continental United States you have about \$50. You have nothing approaching that condition anywhere in this country, except in the vicinity of the great cities, and to find a parallel you must look to the islands of the Far East or the other teeming populations of the globe.

We are not here asking for largesses or special favors, but only that equal justice be accorded us, and I think that if we can demonstrate that the small farmers of Porto Rico are suffering under a more intolerable burden than any people of their class under the American flag, then they will not appeal to you in vain.

The numerous laws that have been written upon your statute books following the granger movement that started in the Western States many years ago has insured to every American farmer in the continental United States an open market and a competitive system of transportation for the movement of his crops.

The position of the Philippine Islands and the laws that have been enacted by their native assembly have insured to the producers of those islands not only intercourse with but a market among the people of the mainland of Asia, the islands of Japan, and the possessions of the British Empire in the Pacific.

I have already spoken of the Hawaiian people. Let me refer to them again long enough to say that when they were enumerating the conditions from which they are about to be relieved they explained that they were at the crossroads of the Pacific and that their harbors were teeming with ships; that the conditions that had brought the Yankees from the west to monopolize their plantations and the "Yankees" from the Orient to monopolize their labor and threaten to monopolize the population had brought some compensation in the shape of a vast tonnage that enabled them to ship their products.

But this facility of transportation enjoyed by the farmers of continental United States, Hawaii, and the Philippines is denied to the small farmers of Porto Rico. They are off the line of travel. They are in the grip of a close shipping combine that not only denies them adequate transportation, but arrogantly turns a deaf ear to their pleas for additional tonnage because the Porto Rican small farmer is the victim of the coast-wise shipping laws. He can not hail the foreign ships to carry his fruits and vegetables to the Atlantic seaports during your long, hard winters when adequate transportation would prove a boon to both the Porto Rican farmer and the American consumer. [Applause.]

Being denied the privilege of producing the perishable fruits and truck crops, he is compelled to become a colono and grow cane for the big corporations that are fattening upon that island just as they are doing in Cuba, in Santo Domingo, in Hawaii, in



the Philippines, and in all the islands of the sea! Either he must become a cane colono and work out his existence for these big corporations or with his family he must retreat to a thatched hut in the mountains and eke out a mere existence as a producer of coffee. Under conditions that exist in Porto Rico today, and must continue to prevail until you extend to them the privileges of the farm-loan act, the small producers of that island will not be able to live nor to negotiate for the sale of their products in the manner that it should be the privilege of every free man to do. [Applause.]

Mr. Chairman, the people of Porto Rico are not unmindful of all that the American Government has done for them since the riddance of the Spanish régime. We realize the boon that has come through your system of education, of sanitation, of more liberalized law, and of the incalculable benefits that come with the opening up of commerce. But while you have brought inestimable blessing to the people of that island, you have not extended to them all the benefits of your legislation, and if you want you may help us to build up the small farmer, to educate our people, to obtain transportation facilities, to improve our harbors, to develop our fisheries, and to make of Porto Rico a self-supporting country. [Applause.]

You point with pride to the marvelous agricultural development on the island since the American occupation. Indeed, it has been marvelous. From a production of 40,000 tons of sugar, it has grown in 20 years to a production of 500,000 tons, outdistancing any of the agricultural activities under the American flag, unless it be the rise of the beet-sugar industry of the West. And yet, gentlemen, it was not a healthy American agricultural system that was being developed there, such as this very farm-loan legislation is designed to produce. It has witnessed the gradual extinction of the small native farmer, simply because he could not get financial aid such as is here proposed, and the absorption of his holdings by immense planting corporations, operating alike in defiance to statute law and sound economic law and producing a system of absentee landlordism that must inevitably result in social unrest, anarchy, and bolshevism. [Applause.]

Mr. UPSHAW. Viva Porto Rico! Muchas gracias, señor. [Applause.]

Mr. WINGO. Mr. Chairman, I do not agree with the committee on this bill and I am opposed to it, and I will state briefly my objections to it.

It is conceded that the conditions in Porto Rico are very bad. In other words, the very conditions that are urged in support of the necessity of extending the farm loan act to Porto Rico are conditions which, I think, make it unwise to mix up Porto Rican business with the farm-loan system of this country.

It is true that operations in Porto Rico are limited to one farm-loan bank, and that is the Springfield, Mass., bank. It is also true that they limit the loans to \$5,000, and limit them to 20 years.

One argument that is made in favor of attaching the Porto Rican farm loan business to the Springfield bank is that the Springfield bank is not now making any money. To my mind that is a reason why we should not load this doubtful business on that bank if it is being run at a loss now.

But my objection to this bill is more fundamental than that. Gentlemen recall that under the farm loan act, section 21, it is provided that—

Every Federal land bank issuing farm loan bonds shall be primarily liable therefor, and shall also be liable, upon presentation of farm loan bond coupons, for interest payments due upon any farm loan bonds issued by other Federal land banks and remaining unpaid in consequence of the default of such other land banks; and every such bank shall likewise be liable for such portion of the principal of farm loan bonds so issued as shall not be paid after the assets of any such other land banks shall have been liquidated and distributed: *Provided*, That such losses, if any, either of interest or of principal, shall be assessed by the Federal Farm Loan Board against solvent land banks liable therefor in proportion to the amount of farm loan bonds which each may have outstanding at the time of such assessment.

Mr. CANNON. Will the gentleman yield?

Mr. WINGO. I yield to the gentleman from Illinois.

Mr. CANNON. I think this is a very important bill. I agree with the gentleman, and I think we ought to have a quorum present to hear his full discussion of this bill. I do not make the point to use up time. I make the point that there is no quorum present, Mr. Chairman.

The CHAIRMAN. The gentleman from Illinois makes the point of order that there is no quorum present. No quorum is present. The Clerk will call the roll.

The Clerk called the roll, when the following Members failed to answer to their names:

Almon	Ayres	Barkley	Bland, Ind.
Anderson	Baer	Bell	Bland, Mo.
Anthony	Bankhead	Blackmon	Booher

Brinson	Fess	Kelly, Pa.	Sabath
Britten	Fields	Kendall	Sanders, N. Y.
Brumbaugh	French	Kennedy, Iowa	Scully
Burke	Fuller, Mass.	Kless	Sears
Byrnes, S. C.	Gallivan	Langley	Siegel
Campbell, Pa.	Gandy	Lazaro	Sims
Cantrill	Gard	McCulloch	Sinnott
Carter	Garrett	McKenzie	Slomp
Casey	Good	McLane	Small
Clark, Fla.	Gould	MacGregor	Smith, Ill.
Cooper	Graham, Ill.	Mansfield	Smithwick
Costello	Graham, Pa.	Mason	Snell
Cramton	Greene, Vt.	Mays	Steagall
Curry, Calif.	Griest	Merritt	Steele
Denison	Hamill	Monahan, Wis.	Strong, Pa.
Dent	Hamilton	Morin	Tague
Dewalt	Hardy, Tex.	Nelson, Mo.	Thomas
Doremus	Hastings	Nicholls, S. C.	Timberlake
Drane	Heflin	Nolan	Treadway
Dunn	Hill	Oliver	Vare
Dyer	Hoey	Olney	Wason
Eagle	Howard	Parker	Wheeler
Edmonds	Johnson, Miss.	Rainey, H. T.	Williams
Ellsworth	Johnson, S. D.	Riordan	Winslow
Elston	Juul	Rosenberg	
Esch	Kahn	Rose	
Ferris	Kelley, Mich.	Rowan	

The committee rose; and the Speaker having resumed the chair, Mr. CAMPBELL of Kansas, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee, having under consideration the bill H. R. 8038, amending the Federal farm-loan act, and finding itself without a quorum, had caused the roll to be called, when 310 Members answered to their names, and he presented a list of the absentees.

The committee resumed its session.

Mr. WINGO. Mr. Chairman, when the gentleman from Illinois [Mr. CANNON] made the point of no quorum I was discussing the question of the liability of these banks. Some of the Members who were not present when I started out possibly may be interested to know that the pending bill is a bill to extend the Federal Farm Loan System to Porto Rico by authorizing the Federal farm loan bank at Springfield, Mass., to do business in Porto Rico through a branch bank.

Now, Mr. Chairman, I want to state briefly my objections to this bill. The main objection is one of liability. If the Members of the House will give me their attention, I would like to call their attention to these facts.

Under the farm loan act, section 9, whenever a farmer in Arkansas or Illinois wants a loan he has to join the local association and has to subscribe an amount equal to 5 per cent of his loan of the capital stock of the association. Each individual applicant has to become a stockholder to the extent of 5 per cent of his loan. Now, he is liable on that stock to an amount equal to that over and beyond the amount of the stock itself—just like a stockholder in any other corporation would be.

When the farm loan association wishes to forward his application to the farm loan bank, it has to subscribe to an equal amount of the stock of the farm loan bank. So he becomes indirectly responsible because the stockholders of the farm loan bank are the local association, and the local association as stockholders are liable absolutely for the losses of the farm loan bank. The individual farmer, the borrower, is liable, in addition to the stock he has subscribed, to pay and bear the loss, because he is liable for the losses of the local association.

Now, what happens under section 21, which I had just read before the point of no quorum was made? I will read it again.

Every Federal land bank issuing farm loan bonds shall be primarily liable therefor, and shall also be liable, upon presentation of farm loan bond coupons, for interest payments due upon any farm loan bonds issued by other Federal land banks and remaining unpaid in consequence of the default of such other land banks; and every such bank shall likewise be liable for such portion of the principal of farm loan bonds so issued as shall not be paid after the assets of any such other land banks shall have been liquidated and distributed: *Provided*, That such losses, if any, either of interest or of principal, shall be assessed by the Federal Farm Loan Board against solvent land banks liable therefor in proportion to the amount of farm loan bonds which each may have outstanding at the time of such assessment.

Now, gentlemen, I think if you have followed me you will see that every farmer in the United States who is now a borrower and a member of the Farm Loan System will become to the extent which I have described liable for the bonds that are issued upon the Porto Rican business.

I have not been in Porto Rico. I want to be fair, and I will be fair, with you. The very reasons presented to me by friends of this measure showing the necessity for some relief to those people down there are the very reasons that make me afraid to attach this business to the Farm Loan System of this country. If they want to organize a separate land bank system, under control of the Federal Government in Porto Rico, and let it stand on its own feet, I am willing for the Government of



the United States to go to the extent of furnishing the capital stock down there, but I do insist that you ought not to jeopardize the securities of the farm-loan banks of Arkansas, Illinois, and Indiana, and all the States of this Union, for it is not fair. It is bound to have a depressing effect on our farm-loan bonds.

Mr. LITTLE. Will the gentleman yield?

Mr. WINGO. Yes.

Mr. LITTLE. I have been told that the farming lands in Porto Rico are highly cultivated. What is the matter; what has the gentleman in mind?

Mr. WINGO. I do not know what the matter is, but the fact is that a distressing condition exists in Porto Rico. Nobody but the large landowners, the large coffee growers, are prosperous. I do not know whether we will be able to extend aid to the little fellows or not. I do not know whether it would be a success or not. But we have tried corn in Illinois, we have tried cotton in Arkansas and Mississippi, we have tried wheat in Nebraska, and we know what kind of farming conditions we have, and we can very safely permit loans to farmers of those States to be connected with our system.

Mr. McKEOWN. Will the gentleman yield?

Mr. WINGO. I will.

Mr. McKEOWN. Do they have to form some kind of an association in Porto Rico under this bill or is it the intention to have them subscribe directly?

Mr. WINGO. I am not sure, the chairman will correct me if I am wrong, but I think they organize under the provisions of existing law. They might authorize direct loans if they wished. My objection goes not so much to the details but to the principle. It is loading new business in a new territory onto our system, and business of a territory where the farming conditions are very different from what they are in the United States. I repeat that I will vote to give them a land bank and take the money out of the Federal Treasury to furnish them their first capital until they are put on their feet, but I do not want it tied up with our system, which would depress the farm-loan bonds and make them pay an additional premium. That is my objection, and it is to the principle and not because I do not want to help Porto Rico.

Mr. SMITH of Michigan. Mr. Chairman, will the gentleman yield?

Mr. WINGO. Yes.

Mr. SMITH of Michigan. I notice that in line 13, on page 2, of the bill there is the following language:

Except that such branch banks may loan direct to borrowers.

Mr. WINGO. That is right.

Mr. SMITH of Michigan. And I am wondering if they require the borrowers to give real estate security.

Mr. WINGO. I think that would be true, even if it were not in there. That means this: As I recall the farm-loan act now, it permits the banks where they find necessity for it to loan direct, where they can not get enough together to organize an association, and that being a part of the general law, the Springfield bank could authorize that, even if they did not put it in the bill.

Mr. MORGAN. How is this branch bank going to make original loans if it has no capital? It has no money.

Mr. WINGO. The Springfield bank?

Mr. MORGAN. Does the gentleman mean to say that under this bill they would take a part of the cash out of the Springfield bank and put it in the branch bank?

Mr. WINGO. They authorize the Springfield bank to establish a branch in Porto Rico; that is what I understand.

Mr. MORGAN. What restrictions would there be on the amount of cash they could take out of the Springfield bank and put into the bank down there?

Mr. WINGO. There are no restrictions except those placed in the bill. I was not interested in that question. My objection was to a question of principle. I am willing to give Porto Rico a Federal land bank, but let us have it independent, let it stand alone, and not make the borrowers in the United States liable for any loss that might occur down there.

Mr. PLATT. Does not the gentleman think the directors of the Springfield bank and the members of the Federal Farm Loan Board are pretty likely to carefully scrutinize every loan? They are paying 8, 12, 15 per cent now and getting away with it, and they surely can get along if we loan them a little money at a reasonable rate.

Mr. WINGO. Instead of undertaking to extend this act, which is now in its formative period, I am in favor of not amending it at all until we have given it a trial. Instead of extending it so as to give greater benefits to the farmers of the United States, you come here with this proposition and tie

it up with a business that you do not know will be successful, because you say private enterprise will not go down there now except at exorbitant rates.

Mr. PLATT. Oh, that is not quite fair.

Mr. WINGO. Let us extend this to the people of the United States. First let us improve the act. Let us take up the question of personal credits. We never have solved that for the farmers yet. That is a problem to which we should address ourselves as a committee, instead of going off and extending the provisions of this act to the isles of the seven seas. If you give this to Porto Rico, then the Virgin Islands will come and say that you ought to give it to them because you have given it to Porto Rico, and then if we grab up some other island of the seas—the Island of Yap, or something like that—the people there will be coming along and saying to us that we must give it to them because we have given it to Porto Rico. Let us keep the Federal farm loan bank system clear for the present and wait until the Supreme Court determines whether or not it is a constitutional act. Let us put it on its feet, let us wait until we get beyond these abnormal times, and then will be time enough to tie other people up to it. In the meantime, if the situation in Porto Rico is so pressing as to need relief, bring in an original bill authorizing them to establish a land bank, and authorize the Secretary of the Treasury to subscribe to its capital stock. I will support that kind of a bill.

Mr. HUMPHREYS. Mr. Chairman, will the gentleman yield?

Mr. WINGO. Yes.

Mr. HUMPHREYS. They have a farm-loan bank in Hawaii. I do not think it is a branch of any of the banks on the mainland. My understanding is that it is organized under the laws of the Territory. Is there any reason why Porto Rico can not have a bank organized just as the bank in Hawaii is organized?

Mr. WINGO. None whatever that I know of, unless the conditions down there are different, and I do not know what they are.

Mr. HUMPHREYS. There are more than a million people in Porto Rico and there are not more than 200,000 in Hawaii.

Mr. WINGO. There are over a million people in some of the South Sea Islands, where there are a lot of cannibals, but that would not make me want to extend the farm-loan system to those people and make the farmers of Illinois and Kansas and other States liable for trying to civilize them and install modern methods of farming. I think we ought to treat dependencies, or whatever you call them, as separate entities, and establish laws for them so that they will be separate and apart, and not jeopardize our affairs in continental United States.

Mr. HUMPHREYS. My suggestion was that, in view of the fact that there are a million plus population in Porto Rico, conditions there ought to be more favorable for them to establish a bank of their own than they are in Hawaii, where there are only perhaps 250,000 people.

Mr. WINGO. I think that is true. They come in and tell us that the small fellow there is frozen out because he has to pay from 12 to 18 per cent interest. That appeals to my sympathy, but I am talking about a practical, horse-sense proposition of how you will meet the problem. I say go and organize a separate bank to take care of them and help them, and subsidize it if you want to, but let us not tie them up with our domestic system.

Mr. BEE. Mr. Chairman, will the gentleman yield?

Mr. WINGO. Yes.

Mr. BEE. If this Springfield bank holds its own and does not fail, would there be any danger of banks all over the United States being called on for any liability, or would liability be in the event that the Springfield bank should be swamped by this?

Mr. WINGO. Oh, certainly, that is true; they could not be liable except for failure.

Mr. BEE. Will the gentleman yield?

Mr. WINGO. I will.

Mr. BEE. Would it be the only way in which the other banks would be drawn into a liability?

Mr. WINGO. As a primary proposition they are liable now as long as the bank at Springfield is solvent. As long as the bank pays the coupons they could be forwarded to the Springfield bank for payment. I call attention to this. There are two reasons for the attaching of this to the Springfield, Mass., bank. One is that it is nearer to the port which does business with Porto Rico and the other is the Springfield Federal land bank is not a profitable bank. It is being run at a loss right now, and you propose to put some more uncertain business on that bank that is already in a non-profitable position.



Mr. PLATT. Is it not practically true that when the Springfield Bank goes into this new territory, it will make a high profit with no risk?

Mr. WINGO. Let me answer this, following to a conclusion the gentleman's logic. Take a bank that is about to fail. The cashier tells the board of directors that it is about to fail, that it is not making money; and suppose the board of directors would say, "All right, go out and make some more weak loans."

Mr. PLATT. The gentleman does not mean to indicate that the bank is about to fail, because they are gaining every day?

Mr. WINGO. I do not say that; but it is not making money. I think it will not fail unless you load this business on it, and I am afraid this might break it. Certainly it is in worse shape to stand up under the load on it of this new business than a bank that is making money, and that bank, I think, is running now at a loss.

Mr. PADGETT. It is behind about \$20,000, I think.

Mr. WINGO. More, I think.

Mr. BEE. Is there any sanctity about the Springfield Bank that makes it necessary that this bill should not be amended so as to tie the Porto Rico bank up to a strong and established institution rather than the weakest?

Mr. WINGO. I am opposed to tying it to any. I do not think it is fair to the Springfield bank. If you should undertake to tie this up to the St. Louis bank in my district, I should object. This Springfield bank has already a deficit, and now you propose to put on it this business which every man in this House knows is purely experimental. When private enterprise says that small loans in Porto Rico are risky you now propose to tie this business up to a bank that is not making a profit.

Mr. SMITH of Michigan. Is the Springfield bank asking for this legislation?

Mr. WINGO. I do not know. I think the people of Porto Rico are asking for it.

Mr. UPSHAW. Will the gentleman yield?

Mr. WINGO. I will.

Mr. UPSHAW. Is it not true that the main consideration before the House on this bill is not the condition of the Springfield bank, but to the island of Porto Rico, and that this Government should have every desire that the people of that island should succeed? And is it not further true that the fact that Porto Rico is a dependency makes something of pathos in the appeal? And does not the gentleman believe that it would produce a splendid spirit of good fellowship and gratitude on the part of Porto Rico to give it what it now needs and then be brave enough to say, "You act as a government"?

Mr. WINGO. Well, the gentleman is an idealist, and I sympathize with what he says, but I am not willing to tie this business up with the Georgia farm-loan system. I stated in my opening remarks, if the gentleman was here to hear me, I am in sympathy with Porto Rico and want to do something. I am willing to give Porto Rico a farm-loan bank, but my only objection is that you are tying them up to the banks of Georgia, making the farmers of that Commonwealth liable, and I know the farmers of Georgia are not in favor of that legislation, and he will find that they are not so idealistic as he is on that point.

Mr. DAVILA. I want to state to the gentleman that during the great emergency of the war the people of Porto Rico were ready to help the United States. They sacrificed their lives, their money, everything they had. There is not a country more devoted and friendly to the people of the United States than the people of Porto Rico. We have not been selfish with our lives. Are you going to be selfish with your money? No people have been more patriotic or loyal than the people of Porto Rico, and I think that the gentleman realizes this.

Mr. WINGO. The trouble with the gentleman from Porto Rico is that he thinks to use horse sense is selfishness; but I hope the gentleman has not inferred from anything I have said that I question the loyalty and the patriotism of the people of Porto Rico, and I hope he has not inferred from anything I have said that I am unfriendly to Porto Rico. I think, and I repeated the statement time and time again, that I am willing to go into the Treasury of the United States and take a specific sum, so as to know what the liability is in order to subsidize a land bank for them. I have tried to make it plain that I would go that far; but what I objected to is the plan of tying on and making the farmers of the United States liable under such a proposition as is proposed here. And I am willing to go the limit, because I do feel there is some extraordinary obligation to the people of Porto Rico and the Virgin Islands and these other people, but I am opposed to this plan of making the farm-

ers of the United States liable for an experimental operation in Porto Rico.

That is the point I am trying to make. I yield to the gentleman from Oklahoma [Mr. MORGAN].

Mr. MORGAN. The gentleman said he would be willing to establish a special bank for Porto Rico. Does the gentleman mean it would be a part of our system in any way?

Mr. WINGO. No; separate and independent, the land banks in the United States not being liable for any of its debts or any of its bonds. Let it stand on its own feet, with its own board of directors and its own bonds. Give them the benefit of mobilizing these farmers' securities down at Porto Rico. Give them the experience and the organization of our Farm Loan Board. Give them the benefit of capitalization out of the United States Treasury. When we have done that, I think we can take care of them and meet their needs without jeopardizing our own farm-loan bonds.

Mr. DAVILA. I want to say to the gentleman from Arkansas that the Legislature of Porto Rico approved a bill creating a people's bank in Porto Rico, but this bill was vetoed by the governor, a man appointed by the President of the United States. If you grant to the people of the island full self-government powers, with a governor elected by the people, I assure you that we will not come any more to the Congress of the United States asking for help.

Mr. WINGO. The gentleman has not heard me opposing their having absolute independence. If I had my way I would give them their absolute independence to-morrow, and in addition I would be charitable and try to protect you, because you are our neighbor and your people under the law are citizens of this country.

Mr. STEVENSON. Will the gentleman yield to me?

Mr. WINGO. Yes.

Mr. STEVENSON. I just wanted to direct the gentleman's attention to the fact that he did not intend, although it might be construed as an intimation, that the Springfield bank was badly managed.

Mr. WINGO. I made no such assertion as that, and hope I have not said anything that even intimated such a fact.

Mr. STEVENSON. And that it was in a precarious condition. The gentleman, I know, understands it is simply because it has not written enough of business on its own books for the 1 per cent which it has to make in order to begin to pay all expenses, but there is nothing insolvent about it. It has simply got to go on like life insurance companies, until it gets enough business on its books so that it can have 1 per cent in order to go ahead.

Mr. PLATT. Mr. Chairman, I yield 15 minutes to the gentleman from Iowa [Mr. TOWNER].

Mr. TOWNER. Mr. Chairman and gentlemen of the committee, the most careful examination has been made with regard to this legislation. The matter was presented first to the governor of Porto Rico, who is, as you know, an American citizen. By him it was very strongly recommended. The matter was then referred to the Insular Affairs Bureau, which has immediate oversight of our insular possessions. The bureau made a most careful investigation regarding the matter and gave the legislation its enthusiastic approval. An investigation was then made by the Committee on Insular Affairs, of which I am the chairman. We became convinced, those of us who investigated the matter, that the legislation ought to be enacted. Then followed an investigation by the Federal Farm Loan Board. It likewise made a most careful investigation regarding the proposition. And they have likewise approved of this legislation. They themselves formulated the bill which was presented to the committee. The matter was then investigated by the Committee on Banking and Currency. That committee also reported this bill practically unanimously. There was some opposition, as you know.

The objections that have been made, I think, can be entirely and, I hope, satisfactorily, answered. It is suggested, in the first place, that it is unsafe for us to embark in this legislation, because all the banks of the United States and their stockholders would be liable for the loans made. Of course, that is a very remote possibility. In the first place, the Springfield bank is the bank to which these applications must be directly made.

Mr. LITTLE. Will the gentleman yield for a question?

Mr. TOWNER. I hope the gentleman will not interrupt me just now. If he will wait, I will be glad to yield.

The Springfield bank was selected as the bank to which applications should be made for two reasons. In the first place, because of the fact that it would not entail upon the United States and upon the borrowers from the Farm Loan Associa-



tion any additional expense. All of the expenses, except those directly incurred with regard to making the loans, will be paid by the Porto Ricans themselves, who become borrowers under the operations of this act. In the next place, we do not leave to a local regional bank, if one should have been established in Porto Rico, the approval of the loans to be made. We guard these loans by saying that they must be approved by an American regional bank. The American regional bank can not make any of these loans without sending their appraisers to pass upon the character of the applicant, to make a personal examination with regard to the condition of the property and the amount of the security and the condition of the title. All of those things are guarded. So it would seem as if we were carefully guarding against any loss that might occur, even more carefully guarding against any possible loss that might occur than we do with regard to our own banks in the United States. It is objected also that the condition of the Springfield bank, it being the weakest, as the gentlemen say, of the banks of the United States, would be possibly unable to carry the loans. The condition of the Springfield bank is just as prosperous as that of any other bank in the United States which has its operations compared with the Springfield bank. As was suggested by one gentleman here a short time ago, none of these farm-loan banks have become self-supporting until enough borrowers were secured to make them self-supporting. In Massachusetts and in New England the people have been slow to make applications for farm loans. That is the only reason why the Springfield bank is more backward than the others. That is the only reason why it is not now self-supporting. When it secures sufficient loans it will become self-supporting.

Mr. LITTLE. Mr. Chairman, will the gentleman yield? It was on that point that I wanted to ask the gentleman a question.

Mr. TOWNER. Yes.

Mr. LITTLE. Do you think if this bill is passed it will be of enough help to the Springfield bank to enable it to go ahead and make some money? Is that one of the reasons for this?

Mr. TOWNER. No. It will undoubtedly help the Springfield bank, but the Springfield bank will be amply able to take care of itself without Porto Rico. But Porto Rico will help.

Mr. LITTLE. But it is really as much help to the bank as to the Porto Ricans?

Mr. TOWNER. Certainly; so far as the mere monetary questions are concerned. So that these objections after all, it seems to me, gentlemen, are not very serious or very material.

Now, let us examine why this legislation should be enacted. The gentleman from Arkansas [Mr. Wingo] stated that he wanted to be friendly to Porto Rico because it was our next-door neighbor. Let me say to the gentleman from Arkansas that Porto Rico is not our next-door neighbor; it is not a neighbor of any kind. It is an integral part of the United States of America. [Applause.] And every man, woman, and child in Porto Rico to-day is an American citizen. We owe to them just as much obligation as we do to our own citizens; nay, more, in the degree that those who need it most should certainly have the first claim on our attention, Porto Rico does need it most.

Let me say to you gentlemen that Porto Rico 20 years ago was probably the poorest country in all the world. It is poor yet, and whatever progress has been made, almost all the property that has been acquired, has been acquired under the American flag during those 20 years. Under Spain Porto Rico was milked dry. They kept the people of the island so low in the scale of economic prosperity that it could hardly be said that anybody could under any circumstances make anything more than a bare living.

That was Porto Rico when she came under the United States. Since the time of the American occupancy Porto Rico has prospered wonderfully, but she is yet poor, and especially economically poor. Gentlemen say, "Let them establish their own banks in Porto Rico."

Why, gentlemen, with a population of 1,200,000, the densest population of any of the American States or any of the American possessions, there is in Porto Rico to-day only \$4,000,000 of money in circulation. It has no provision by which men can borrow money on mortgage. The banks there do not loan money on mortgage. They do only a commercial business. Those in the island who desire to secure loans are compelled to do so at exorbitant rates, because of the fact that almost their only chance of securing money on even real estate security is from the local merchants, and the local merchants charge them from 10 to 12 per cent. The local merchant advances them money from year to year because of the fact that they can not get money in any other way.

And yet, gentlemen, these men are a land-loving and a home-loving people. There is, I believe, a greater proportion of land-

holders in Porto Rico than in any other of our outlying possessions.

Let me tell you about conditions with respect to land as they exist down there. The land is divided, according to the census of 1910, into 58,371 properties. The mean size of these properties is 38 acres. The average in the United States is 139 acres; and of the 58,371 properties there are 46,000 cultivated by their owners.

Now, what are the conditions that exist in Porto Rico? There is all manner and range of landholding and of operations, from the small landholder who owns only 5 acres up to the large landholders, mostly nonresidents, who own the sugar plantations, who have acquired many thousands of acres. It is not to help the sugar planters that this legislation is contemplated. It is to help the small landowners. They are mostly engaged in raising three varieties of crops. In the first place, coffee is one of their principal productions. The small landowner, with 5, 10, or 20 acres of land, may raise coffee and sell it, and may become reasonably prosperous, if he can ever get out of debt and out of the hands of the men who are now demanding from him 12 and even 18 and 24 per cent interest. Yet, gentlemen, in spite of this handicap the small landholders own land that has been in their possession and in the possession of their ancestors, some of them for more than 150 years. They are loath to give up their land. They love their home, even if it is just a little 5-acre tract up on the side of the mountain with a little shack for a home. They want a chance to improve it. They want a chance to have better homes. They want a chance to get out from under the grasp of the money lenders who are now preying upon them. A great many people think the Porto Rican coffee is the best that is raised in all the world. Then they raise a very high grade of tobacco there. There are many small tobacco plantations scattered over the island.

The CHAIRMAN. The time of the gentleman has expired.

Mr. TOWNER. May I have a little more time?

Mr. PLATT. I yield to the gentleman five minutes more.

Mr. TOWNER. These tobacco growers are in the hands of the Tobacco Trust to-day. Their prices are fixed by the Tobacco Trust. Money is loaned to them on their crops, and sales must be made to the men who control the prices, because they have made the loans to these tobacco growers.

Then there are the fruit growers. Almost every kind of tropical fruit is raised in Porto Rico—pineapples, bananas, oranges, lemons. Almost all kinds of tropical fruit can be raised easily upon these islands. This legislation is to help these men as well.

The men engaged in these occupations are landowners living upon their land and desiring always to live upon it.

Titles to the land in the island are absolutely secure. They have one of the best systems in the world of securing titles in Porto Rico. No transfer of land can be made except by a government official, who certifies the title, which makes it absolutely secure.

All these things are to be taken into consideration. I do not think it is possible for gentlemen to imagine any greater need for this legislation or any greater security for it. Why should we not give them the benefit of the extension of this act?

I want to say this to the gentlemen of the committee, that I believe you could do no one thing that would help these more than a million people in Porto Rico, 75 per cent of whom are white people capable of making as good citizenship as we have anywhere under the American flag. These people all now look to the United States not for charity but for such help as should be given by any government on earth to its own citizenship. If we refuse it, what will they think with regard to the United States? They will think they are not regarded as citizens of the United States. They will think they are not entitled to the sympathy, love, and affection of the American people, although they have shown every possible devotion to the United States. These men will be led to believe that they are ignored and that we do not care what becomes of them. The very fact that we extend our aid to them under certain restrictions of safety will lead them to believe that we in fact do care for them, do regard them as a part of the citizenry of this great Republic.

So I believe upon every ground of safety and of expediency, and especially of obligation to our own citizens, this legislation should be enacted. [Applause.]

Mr. McKEOWN. Will the gentleman yield for a question?

Mr. TOWNER. Yes; I will be glad to.

Mr. McKEOWN. Is there any intention to enact legislation in favor of the citizens of Porto Rico that will be of greater advantage to them than that enjoyed by our own farmers under our own farm-loan act?



Mr. TOWNER. Certainly not.

Mr. McKEOWN. I notice that there is a provision under which they do not need to form these associations.

Mr. TOWNER. It is true they do not have to form the associations.

Mr. McKEOWN. Why not?

Mr. TOWNER. But they are compelled to make the same contribution as a guaranty to the safety of the loan that is made by people in the United States. It is only for the purpose of having these matters passed upon in the United States and not by the local association—another guaranty of the safety of the act.

Mr. PLATT. Mr. Chairman, how much time have I used?

The CHAIRMAN. The gentleman from New York has 22 minutes remaining and the gentleman from Arkansas 27 minutes remaining.

Mr. PLATT. Mr. Chairman, I yield 10 minutes to the gentleman from New York [Mr. DEMPSEY].

Mr. DEMPSEY. Mr. Chairman, I ask unanimous consent to proceed for 10 minutes out of order.

The CHAIRMAN (Mr. WALSH). The gentleman from New York asks unanimous consent to proceed for 10 minutes out of order. Is there objection?

There was no objection.

Mr. DEMPSEY. Mr. Chairman and gentlemen, there was placed upon the desks of all Members of Congress within the past two or three days the issue of the bulletin of the Atlantic Deep Waterways Association for the month of March. Ordinarily I think it is not of sufficient importance to answer a newspaper article to ask for time on this floor. But this bulletin contains an article on the river and harbor bill which passed this House in January. The bill is now pending before the Senate Committee on Commerce. A determined effort is being made to change the result attained in this House, and I believe that one of the incidents of that effort is the article which appears in this bulletin. It is for that reason I desire to answer it, and because the writer has a total misconception of how the bill was passed by the House and of the effect of its provisions.

In the first place, the article assumes that the bill was passed in the House as the result wholly of pressure from the management on the Republican side. In other words, that it was the result of pressure by the steering committee. The article itself refutes that charge, because it says that the bill passed this House by a vote of 167 to 35, nearly 5 to 1. An examination of the RECORD will show that that vote was fairly well divided between the two sides of the House. While more votes came from the Republican than from the Democratic side, it was by no means a partisan vote, and it was not a partisan measure. And no such overwhelming majority, coming from both sides of the House, could have been secured by pressure from the Republican steering committee or in any way except through the belief of the Members that the bill was a good one. So, as I say, the article contains on its face a refutation of the charge that the bill was reported and passed in the form in which it left the House as the result of pressure from the steering committee. Next, the article asserts that the measure was presented to the House without opportunity for a reasonable consideration of it and that all the Members were not present who could have been and would have been present if there had been enough time for them to get together. What is the fact? The fact is there were 17 members of the committee present at the session when we voted on the measure—17 out of 21, a remarkably large attendance for a committee meeting.

The next fact is that the committee voted 16 to 1 to report the measure as it came before this House—almost unanimously. Surely the Republican steering committee could not and did not compel or even influence the Democrats on the committee to join with the Republicans in a favorable report on the bill. So the charge of undue pressure on the part of the Republican steering committee disappears, and it is a fact that no such pressure was even attempted.

The next question is, What do they criticize as the result of the passage of the bill? They criticize certain specific items. Let us see what the items are. First, they say the gentleman from North Carolina [Mr. SMALL] introduced a substitute, and they give the substitute which he offered, which embraces some 54 projects, and those 54 projects were to have appropriated for them certain specified sums.

I will present to the House a list of the projects, showing the amount on hand to the credit of each project, the amount which was expended in 1919 upon each of them, and the average annual expenditure for each of them for the last five years.

You will find on examining this list that we have on hand to the credit of each of these projects in practically every case, without any additional appropriation, as large an amount as we have expended on them annually on the average during the last five years.

The article says nothing about the substitute which was introduced by the Member from North Carolina, but they leave the inference to be drawn that it would have been to the interest of the country for the House to have adopted this substitute without making any claim whatever in respect to it. I leave you to judge of this on consideration of the facts shown by the table to which I have referred, but I think you can reach no conclusion but that the House acted wisely in defeating the substitute. Then the article takes up specific items. I shall go through the items and I hope to show that the charges as to them are without any foundation.

The writer says that four or five projects which he enumerates will be without adequate funds; that they can not be completed within the estimated time; and that money will be lost because of the delay. Let us see whether any of these charges are true. Take the East River, the first item specified. We have on hand practically \$5,000,000. We spent last year only \$234,000, and we can not spend the money on hand in the next two years if we do the work with the utmost expedition and use every agency possible with which to proceed with the work. So that so far as East River is concerned there is absolutely nothing to the charge.

The next item is the Delaware River. There is on hand to the credit of the Delaware River project \$1,000,000, and that is as much as we have spent, yearly, on the average for the last five years, and more than we spent last year.

The article says that the work on the Beaufort, N. C., canal will also lag for same reason. What is the fact in respect to that canal? They have \$910,295 on hand, and it was not even suggested before the committee that they should be granted any additional sum.

The writer next refers to the Delaware and Chesapeake Canal, and says that is another project which will suffer. The Government took over that canal, and when it paid the purchase price it had \$480,000 left. That is an abundant sum with which to do all of the work that can be done with proper economy in the coming year.

The bulletin also claims that the improvement of the Schuylkill River will suffer from the appropriation being too small. I have not the figures before me and speak from recollection, but, as I recall, this project has \$300,000 or \$350,000 to its credit and the engineers asked for an additional \$50,000.

The article says further that certain other projects on the eastern coast, without specifying them, will also be retarded in the progress of their work because of insufficient appropriations. Of course, it is impossible to answer an indefinite charge like that; you would have to take all the projects and refer to each of them separately; you do not know which ones they mean. It must be remembered, too, that the projects named by this writer will share in the distribution of the \$12,000,000 appropriated by the bill in addition to the amounts to their separate credits.

It seems plain that this article was written by some one who did not know the facts, and who, in ignorance of them, thought that the amount of the appropriation should be increased. I assume that there was no malice in the article, no intention to misrepresent, nothing but error as to the facts; but the bill passed the House, after the most careful consideration, by an overwhelming majority, and a plain statement of the facts will, I feel sure, convince the public and the writer of this article as well that the House acted wisely. We have given the waterways all that they need for commercial purposes. They have \$60,000,000 of unexpended balances on hand to-day, and we have given them \$12,000,000 more. We have given them abundant funds, not only full measure but overflowing, and there is not the slightest reason why anyone should complain. I have a very great sympathy with the project for deeper Atlantic waterways. I have always been in favor of it. During the time that the Hon. J. Hampton Moore was here as a Member of Congress he championed the cause of deeper waterways, eloquently and well. A great majority of us agreed with him, and I agree with him to-day; but I do think that such articles as this should not be inserted in this publication at this time, calculated, if not intended, to influence the action of another House upon a measure which this House disposed of in the way I state. [Applause.]

The table to which I referred respecting the amounts of money on hand and the sums heretofore expended on the projects described in Mr. SMALL'S amendment is as follows:



Data on projects covered by Mr. Small's amendment to the river and harbor bill.

Project.	Proposed appropriation.	On hand Nov. 1, 1919.	Expended fiscal year 1919.	Average annual expenditure past 5 years.	Commerce.	
					Tons.	Value.
Pollock Rip Channel, Mass.	\$73,000	\$199,315	\$1,736	\$43,553		
Connecticut River below Hartford, Conn.	75,000	116,992	15,406	33,542	533,455	\$50,090,299
Greenwich Harbor, Conn.	14,000		86	40	77,025	13,380,230
East River, N. Y.	2,100,000	4,786,276	566,540	234,554	53,531,457	4,447,041,016
Hudson River Channel, New York Harbor, N. Y.	400,000	684,954	330,004	217,534	45,483,803	6,181,330,831
Newark Bay and Passaic River, N. J.	150,000	84,505	5,210	77,265	6,496,803	493,513,493
Shrewsbury River, N. J.	100,000	39,520	11,902	12,302	49,332	4,208,612
Delaware River, Pa., N. J., and Del.	2,000,000	1,136,096	822,907	1,000,649	24,967,446	2,726,118,519
Inland waterway, Delaware River to Chesapeake Bay.	1,000,000	480,000				
Baltimore Harbor and Channels, Md.	316,000	390,473	54,403	77,539	13,271,449	630,254,734
Norfolk Harbor and Channels, Va.	750,000	813,766	419,975	196,487	31,953,843	3,039,023,886
Cape Fear River at and below Wilmington, N. C.	600,000	506,493	83,223	126,016	459,062	43,817,720
Charleston Harbor, S. C.	400,000	1,143,353	240,119	94,993	520,683	68,564,958
Savannah Harbor, Ga.	300,000	678,157	371,501	208,168	1,540,057	479,235,230
Brunswick Harbor, Ga.	200,000	507,530	51,429	32,313	573,861	57,231,415
St. Johns River below Jacksonville, Fla.	301,000	84,536	254,961	298,135	1,491,019	99,909,781
Hillsboro Bay, Fla.	260,000	443,113	231,897	286,005	11,469,392	11,469,392
Alabama River, Ala.	32,000	27,073	33,554	58,144	62,782	3,649,463
Mobile Harbor and Bar, Ala.	150,000	275,989	284,513	175,621	1,323,997	69,127,463
Black Warrior, Warrior, and Tombigbee Rivers, Ala.	150,000	228,516	34,787	275,681	671,405	719,051
Pascagoula Harbor, Miss.	50,000	21,769	97,041	68,973	299,422	5,075,949
Gulfport Harbor, Miss.	50,000	32,357	122,149	78,869	179,924	3,597,180
Passes at mouth of Mississippi River.	1,500,000	691,313	1,592,083	835,640	9,087,084	665,579,937
Barataria Bay, La.	30,000	31,181				
Houston Ship Channel, Tex.	300,000	994,350	86,372	229,202	2,388,066	116,332,138
Freeport Harbor, Tex.	300,000	61,153	199,198	93,505	309,700	3,097,992
Mississippi River between Ohio and Missouri Rivers.	500,000	367,573	475,151	376,991	264,149	17,982,776
Mississippi River, Missouri River to Minneapolis.	1,200,000	586,875	756,431	943,573	696,503	17,570,003
Missouri River, Kansas City to mouth.	600,000	379,367	1,210,805	1,178,983	142,981	830,769
Tennessee River, Tenn., Ala., and Ky.						
Above Chattanooga.	140,000	140,081	169,095	216,093	529,299	2,801,202
Below Riverton.	75,000	66,427	87,900	106,219	280,602	5,783,318
Cumberland below Nashville.	300,000	591,215	186,685	368,150	48,208	626,927
Ohio River.						
Open channel work.	400,000	420,019	240,512	266,704		
Locks and dams.	1,000,000	4,954,884	3,615,333	4,527,989	6,171,412	77,685,322
Fox River, Wis.	40,000	10,922	16,133	15,179	165,936	1,356,533
Milwaukee Harbor, Wis.	175,000	25,896	5,998	9,363	7,086,550	362,564,868
Manistee Harbor, Mich.	17,000	34,646	25,636	65,170	44,223	997,199
Chicago Harbor, Ill.	40,000	661,211	28,744	213,075	1,925,633	202,214,032
Indiana Harbor, Ind.	200,000	585,764	49,363	76,566	3,098,692	29,657,264
Illinois River, Ill.	25,000	43,900	19,773	39,992	165,252	8,710,917
St. Clair River, Mich.	26,500	77,601	2,431	893	82,979,184	955,920,199
Detroit River, Mich.	700,000	754,786	9,451	56,106	88,855,520	1,023,615,590
Rouge River, Mich.	273,000	488,959	4,084	2,825	1,850,391	8,851,731
Oakland Harbor, Calif.	25,000	43,443	115,404	112,384	2,680,797	170,591,896
Humboldt Harbor, Calif.	406,000	382,483	5,131	229,105	305,073	14,180,067
Columbia and Lower Willamette Rivers below Vancouver, Wash., and Portland, Oreg.	500,000	393,833	387,367	331,800	5,661,037	134,490,409
Grays Harbor and Bar, Wash.	600,000	93,595	2,967	117,773	373,123	5,792,943
Honolulu Harbor, Hawaii.	150,000	8,648	14,646	56,048	1,625,669	175,119,965
Hilo Harbor, Hawaii.	150,000	8,974	155,976	118,804	348,143	41,993,752
San Juan Harbor, P. R.	200,000	394,520	12,604	9,771	1,162,664	141,735,851
		25,974,702	13,508,919	14,279,481		

Mr. PLATT. Mr. Chairman, I suggest that the gentleman from Arkansas use some of his time now.

Mr. WINGO. I suggest that we would better rise.

Mr. PLATT. I would like to finish the bill to-night if possible.

Mr. WINGO. Oh, the gentleman can not finish the bill to-night.

Mr. PLATT. I have only 12 minutes remaining. I do not know how much time the gentleman has.

Mr. WINGO. I have 27 minutes left, and there are some amendments to the bill. It will take an hour or an hour and a half to finish the bill.

Mr. PLATT. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

Accordingly the committee rose; and the Speaker having resumed the chair, Mr. WALSH, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill H. R. 8038, to amend the Federal farm-loan act, and had come to no resolution thereon.

## EXTENSION OF REMARKS.

Mr. SUMMERS of Washington. Mr. Speaker, I ask unanimous consent to extend my remarks in the Record by inserting therein a letter to a constituent.

The SPEAKER. The gentleman from Washington asks unanimous consent to extend his remarks in the Record by inserting therein a letter to a constituent. Is there objection?

Mr. GARD. Mr. Speaker, reserving the right to object, what is the topic of the letter?

Mr. SUMMERS of Washington. Concerning the work of the Congress, and some observations.

The SPEAKER. Is there objection?

Mr. BLANTON. I would like the gentleman to state upon what subject the letter is. Is it just the general work of Congress?

Mr. SUMMERS of Washington. Yes.

The SPEAKER. Is there objection?

There was no objection.

Mr. PLATT. Mr. Speaker, I move that the House do now adjourn.

## POST-OFFICE APPROPRIATION BILL.

Mr. STEENERSON. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill H. R. 11578, the Post Office appropriation bill, with Senate amendments thereto, disagree to all of the Senate amendments, and agree to the conference asked by the Senate.

The SPEAKER. The gentleman from Minnesota asks unanimous consent to take the Post Office appropriation bill from the Speaker's table, disagree to all of the Senate amendments thereto, and agree to the conference asked by the Senate. Is there objection?

Mr. PARRISH. Mr. Speaker, reserving the right to object, will the gentleman state whether they made any provision in that bill to take care of the rural-mail carriers who have to travel through congested territory such as the oil fields and other places, giving the Post Office Department any discretion in the matter of arranging their salaries?

Mr. STEENERSON. We had a provision for unusual conditions, and I notice the Senate amendment seems to enlarge it considerably. I have not had time to examine it.

Mr. PARRISH. I shall not object, but I hope that they will make some provision to take care of that situation.

The SPEAKER. The gentleman from Minnesota [Mr. STEENERSON] asks unanimous consent to disagree to all the Senate amendments on the Post Office appropriation bill and



agree to the conference asked for by the Senate. Is there objection? [After a pause.] The Chair hears none.

The SPEAKER appointed the following conferees: Mr. STEENSON, Mr. MADDEN, Mr. GRIEST, Mr. MOON, and Mr. ROUSE.

#### ORDER OF BUSINESS FOR TO-MORROW.

Mr. WALSH. Mr. Speaker, will the gentleman from New York [Mr. PLATT] withhold for a moment?

Mr. PLATT. I will.

Mr. WALSH. I wanted to ask the Speaker if any arrangement had been made in the House to-day relative to taking up the Private Calendar to-morrow for the consideration of unobjectioned bills?

The SPEAKER. There is not. No such arrangement has yet been made.

Mr. WALSH. I understood from the majority leader, who has been detained, that that was the intention, and while I do not feel that I have authority to make the request, I would like to ask the Speaker if he knew that that was the case?

The SPEAKER. The Chair understood that the request was to be made.

Mr. MONDELL. Mr. Speaker, I ask unanimous consent that to-morrow it may be in order to consider bills upon the Private Calendar, taking up the bills that are not objected to at the point at which the House left off consideration of the Private Calendar when it was last considered.

The SPEAKER. Is there objection?

Mr. WINGO. I presume, Mr. Speaker, that that will be under the same limitations as we had the other day?

Mr. MONDELL. Only those bills not objected to.

Mr. WINGO. In other words, we will just continue our consideration of the other day, under the same limitation?

Mr. BLANTON. Mr. Speaker, reserving the right to object, I would like to ask the distinguished majority leader whether or not they have run out of something more important to do?

Mr. MONDELL. This is quite important. Gentlemen on both sides have bills on the calendar which they think ought to be considered, and we got only about halfway through the calendar the other day.

Mr. BLANTON. Are we still led to believe that we may have hopes of getting through by June 5?

Mr. MONDELL. I still entertain that hope.

Mr. GARD. Further reserving the right to object, is it the purpose to begin on the calendar where we stopped on the last Private Calendar day?

Mr. MONDELL. That was my request.

Mr. GARD. And go through the calendar and then stop, not returning over the same ground?

Mr. MONDELL. I believe the House could return to unobjectioned bills, but the request is that only bills not objected to, beginning at the point where the House left off. I have not an idea that we would get through with all the bills on the calendar during the day. As far as I am concerned, if the gentleman prefers to have it that way, I am perfectly well satisfied we shall go on through the calendar and not return.

Mr. CLARK of Missouri. What I want to know is when you are going to have a day here to consider these bills that some gentleman will hop up and object to?

Mr. MONDELL. My hope is that before long we may take up the Private Calendar in the regular way.

Mr. GARD. Will the gentleman modify his request so that the bills will only be those bills succeeding the point where we stopped the last time?

Mr. MONDELL. I have no objection to doing that.

Mr. WALSH. That is not necessary, because that is all that could be done anyhow.

The SPEAKER. Is there objection to the modification? [After a pause.] The Chair hears none.

#### SENATE BILL AND JOINT RESOLUTION REFERRED.

Under clause 2 of Rule XXIV, Senate bill and joint resolution of the following titles were taken from the Speaker's table and referred to their appropriate committees, as indicated below:

S. 2528. An act to grant certain lands to the city of Pocatello, State of Idaho, for conserving and protecting the source of its water supply and as a municipal park site; to the Committee on the Public Lands.

S. J. Res. 180. Joint resolution authorizing the Secretary of War to turn over to agricultural fertilizer distributors or users a supply of nitrate of soda; to the Committee on Military Affairs.

#### LEAVE OF ABSENCE.

Mr. SIEGEL, by unanimous consent, was granted leave of absence for 10 days on account of serious illness in family.

#### ADJOURNMENT.

Mr. PLATT. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 3 minutes p. m.) the House adjourned until Thursday, April 1, 1920, at 12 o'clock noon.

#### EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of Rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1. A letter from the Secretary of the Treasury, transmitting a supplemental estimate of appropriation, required by the Division of Public Moneys for "Contingent expenses, Independent Treasury," fiscal year 1920 (H. Doc. No. 707); to the Committee on Appropriations and ordered to be printed.

2. A letter from the Secretary of War, transmitting a tentative draft of a bill for the relief of certain officers in the Army of the United States, and for other purposes; to the Committee on War Claims.

#### PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. GARD: A bill (H. R. 13385) authorizing the Secretary of War to donate one captured German machine gun, mounted, to the city of Dayton, Montgomery County, Ohio, to be placed in Stuart Patterson Park in said city; to the Committee on Military Affairs.

By Mr. MAHER: A bill (H. R. 13386) to create a war status for the naval working forces of the World War; to the Committee on Naval Affairs.

By Mr. CARSS: A bill (H. R. 13387) to extend the time for the construction of a bridge across the St. Louis River between the States of Minnesota and Wisconsin; to the Committee on Interstate and Foreign Commerce.

By Mr. JAMES: A bill (H. R. 13388) to pension policemen and firemen in the District of Columbia; to the Committee on the District of Columbia.

By Mr. HAWLEY: A bill (H. R. 13389) to authorize the Secretary of the Interior to dispose of, at public sale, certain isolated and fractional tracts of lands formerly embraced in the grant to the Oregon & California Railroad Co.; to the Committee on the Public Lands.

By Mr. BRITTEN: A bill (H. R. 13390) for the relief of contractors and subcontractors, including material men, for work under the Navy Department, and for other purposes; to the Committee on Naval Affairs.

By Mr. PORTER: Joint resolution (H. J. Res. 325) terminating the state of war declared to exist April 6, 1917, between the Imperial German Government and the Government and the people of the United States, permitting on conditions the resumption of reciprocal trade with Germany, and for other purposes; to the Committee on Foreign Affairs.

By Mr. GOLDFOGLE: Memorial of the Legislature of the State of New York, protesting against the proposed St. Lawrence ship-canal project; to the Committee on Railways and Canals.

#### PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. MOORES of Indiana: A bill (H. R. 13391) granting a pension to Eliza J. Gibson; to the Committee on Invalid Pensions.

By Mr. NELSON of Wisconsin: A bill (H. R. 13392) granting a pension to Charles F. Walker; to the Committee on Pensions.

By Mr. RICKETTS: A bill (H. R. 13393) granting an increase of pension to Thomas Sheron; to the Committee on Invalid Pensions.

Also, a bill (H. R. 13394) granting an increase of pension to Elizabeth A. Whitehurst; to the Committee on Invalid Pensions.

Also, a bill (H. R. 13395) granting an increase of pension to James W. Smith; to the Committee on Invalid Pensions.

Also, a bill (H. R. 13396) granting an increase of pension to Charles L. Taylor; to the Committee on Pensions.

Also, a bill (H. R. 13397) granting a pension to Victor F. Wilson; to the Committee on Pensions.

Also, a bill (H. R. 13398) granting a pension to Lafayette Fosnaugh; to the Committee on Invalid Pensions.

By Mr. SCHALL: A bill (H. R. 13399) granting a pension to Ernest B. Brown; to the Committee on Pensions.



## PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

2705. By Mr. CARSS: Petition of sundry citizens of the United States, favoring the passage of House bill 1112, providing for the parole of Federal prisoners; to the Committee on the Judiciary.

2706. By Mr. CRAGO: Petition of the American Steamship Owners' Association, of New York, against compulsory classification of privately owned American registered tonnage; to the Committee on the Merchant Marine and Fisheries.

2707. By Mr. CULLEN: Petition of sundry citizens, favoring the Mason bill and recognition of Ireland; to the Committee on Foreign Affairs.

2708. By Mr. DARROW: Petition of the city council of Philadelphia, Pa., urging daylight-saving legislation; to the Committee on Interstate and Foreign Commerce.

2709. By Mr. EDMONDS: Petition of the city council of Philadelphia, Pa., urging daylight-saving legislation; to the Committee on Interstate and Foreign Commerce.

2710. By Mr. EMERSON: Petition of Lake Erie Post, No. 42, American Legion, of Ohio, favoring the American Legion bill for compensation; to the Committee on Ways and Means.

2711. By Mr. FULLER of Illinois: Petition of the North Boone Post, No. 205, of Capron, and the Walter S. Page Post, No. 161, of Chicago, Ill., American Legion, favoring adjusted compensation for the ex-service men and women; to the Committee on Ways and Means.

2712. By Mr. GALLIVAN: Petition of the Carton Belting Co., of Boston, Mass., relative to certain provisions in the Post Office appropriation bill, etc.; to the Committee on Appropriations.

2713. Also, petition of the Aberthaw Construction Co., of Boston, Mass., urging support of the 1-cent drop postage, etc.; to the Committee on the Post Office and Post Roads.

2714. Also, petition of the Walworth Manufacturing Co., of Boston, Mass., opposed to House bills 12379 and 12646; to the Committee on Banking and Currency.

2715. Also, petition of the Boston City Federation of Women's Clubs, of Boston, Mass., and the New Jersey Federation of Women's Clubs, of East Orange, N. J., urging appropriation for the interdepartmental social hygiene board; to the Committee on Appropriations.

2716. Also, petition of Harry E. Olson, editor of the Export Recorder, Boston, Mass., relative to certain provisions in the Post Office appropriation bill; to the Committee on Appropriations.

2717. By Mr. GOLDFOGLE: Petition of Maritime Association of the Port of New York, indorsing plan for additional pier facilities in New York Harbor; to the Committee on Rivers and Harbors.

2718. Also, petition of Hugh O'Neil, of Chicago, Ill., and other residents of that city, favoring recognition of the Irish Republic; to the Committee on Foreign Affairs.

2719. By Mr. JAMES: Petition of Joseph St. George, post commander, Post No. 90, American Legion, Torch Lake Post, Lake Linden, Mich., in favor of \$50 per month bonus; to the Committee on Ways and Means.

2720. By Mr. KAHN: Papers to accompany House bill 4712 (a bill authorizing the President to appoint Henry S. Kiersted, late a captain in the Medical Corps of the United States Army, a major on the retired list; to the Committee on Military Affairs.

2721. By Mr. KENNEDY of Rhode Island: Petition of Woonsocket Chamber of Commerce (Inc.), Woonsocket, R. I., favoring passage of Tinkham bill establishing housing bureau; to the Committee on Public Buildings and Grounds.

2722. By Mr. MURPHY: Memorial of the Silver Manufacturing Co., Salem, Ohio, supporting House bill 13015; to the Committee on Ways and Means.

2723. By Mr. O'CONNELL: Petition favoring recognition of the Republic of Ireland; to the Committee on Foreign Affairs.

2724. Also, petition of Albert H. Hillman, general manager, Tobacco Record, New York City, urging taxing of dealers in candy, soda water, and foodstuffs that are eaten on the premises, etc.; to the Committee on Ways and Means.

2725. Also, petition of Parker, Stearns & Co., Brooklyn, N. Y., opposing House bills 12379 and 12646, regarding collection of checks; to the Committee on Banking and Currency.

2726. By Mr. Rowan: Petition of the American Jewelers' Protective Association and the Edward F. Caldwell Co., of New York City, opposing House bill 12379; to the Committee on Banking and Currency.

2727. Also, petition of the Sioux Falls Chamber of Commerce, relative to the salaries of Government employees; to the Committee on Appropriations.

2728. Also, petition of the United States Park Police Association, Washington, D. C., urging increase in salary, etc.; to the Committee on Appropriations.

2729. Also, petition of the Label Manufacturers' National Association and the Folding Box Manufacturers' Association, of New York City, relative to the excess-profit tax; to the Committee on Ways and Means.

2730. Also, petition of W. & J. Sloane, of New York City, opposed to House bill 12976; to the Committee on Ways and Means.

2731. By Mr. THOMPSON: Petition of Montpelier Post, No. 109, the American Legion, Montpelier, Ohio, urging the enactment in its entirety the Thompson soldiers' compensation bill known as House bill 12906; to the Committee on Ways and Means.

2732. By Mr. VARE: Petition of City Council of Philadelphia, Pa., asking for passage of daylight-saving law; to the Committee on Interstate and Foreign Commerce.

## SENATE.

THURSDAY, April 1, 1920.

The Chaplain, Rev. Forrest J. Prettyman, D. D., offered the following prayer:

Almighty God, we pause in this sacred moment as Thy providence calls us to the duties of a new day. We face responsibilities which no human strength or wisdom dare face. We seek Thy guidance and blessing for the welfare of millions of Thy people who are dependent in some measure upon the work of this Senate. We pray that we may so well and duly perform our work as that we may advance the interests of Thy people and glorify Thy name. For Christ's sake. Amen.

On request of Mr. CURTIS, and by unanimous consent, the reading of the Journal of yesterday's proceedings was dispensed with and the Journal was approved.

## CALLING THE ROLL.

Mr. CURTIS. Mr. President, I suggest the absence of a quorum.

The PRESIDENT pro tempore. The Secretary will call the roll.

The roll was called, and the following Senators answered to their names:

Brandegee	Harding	Moses	Smith, Md.
Capper	Harrison	Nelson	Smith, S. C.
Comer	Jones, N. Mex.	New	Smoot
Culberson	Jones, Wash.	Norris	Spencer
Cummins	Kellogg	Nugent	Sterling
Curtis	Kendrick	Page	Thomas
Dial	Knox	Phipps	Townsend
Dillingham	Lenroot	Pomerene	Warren
Fernald	McKellar	Sheppard	Watson
Gay	McLean	Simmons	
Gronna	McNary	Smith, Ariz.	

Mr. GRONNA. I desire to announce that the senior Senator from Wisconsin [Mr. LA FOLLETTE] is absent due to illness. I ask that this announcement may stand for the day.

Mr. McNARY. I wish to announce the absence of my colleague [Mr. CHAMBERLAIN] on account of illness.

Mr. GAY. I desire to announce the absence of my colleague [Mr. RANDELL], who is necessarily detained from the Senate.

Mr. McKELLAR. The Senator from Arizona [Mr. ASHURST], the Senator from Montana [Mr. MYERS], the Senator from California [Mr. PHELAN], and the Senator from Alabama [Mr. UNDERWOOD] are absent on official business.

Mr. CURTIS. The Senator from Maine [Mr. HALE], the Senator from New Hampshire [Mr. KEYES], and the Senator from Florida [Mr. TRAMMELL] are absent in attendance on a subcommittee of the Committee on Naval Affairs.

The PRESIDENT pro tempore. Forty-one Senators have answered to their names. There is not a quorum present. The Secretary will call the names of the absent Members.

The Reading Clerk called the names of the absent Senators, and Mr. BECKHAM, Mr. CALDER, Mr. GLASS, Mr. OVERMAN, Mr. SUTHERLAND, and Mr. WADSWORTH answered to their names when called.

Mr. HENDERSON, Mr. ELKINS, Mr. SHERMAN, Mr. FRANCE, Mr. KIRBY, and Mr. McCUMBER entered the Chamber and answered to their names.

The PRESIDENT pro tempore. Fifty-four Senators have answered to their names. There is a quorum present.

## MESSAGE FROM THE HOUSE.

A message from the House of Representatives, by D. K. Hempstead, its enrolling clerk, announced that the House disagrees to the amendments of the Senate to the bill (H. R. 11578) mak-